

JPRS Report

East Europe

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Ethnic Conflicts in Balkans, Spillover Possible

93BA0115A Sofia KONTINENT in Bulgarian 16 Oct 92 p 7

[Article by Georgi Nikolov: "No One Will Throw a Kalashnikov in the Drina"]

[Text] The Bosnia-Hercegovina drama is playing itself out in a kind of Satanic circle, and the end is not in sight. Agreements in Lisbon, London, and others have been signed and all acknowledge them in words, but no one keeps them. Negotiations are being carried out in Geneva, and at the same time the weapons talk in the combat flights. Peace is farther away now than it was five or six months ago, when the armed conflicts began.

But how will you untie this knot of ethnic-religious contradictions and divergent political interests of three societies—Orthodox Serbs, Catholic Croats, and Muslims? (According to the Constitution of the former Yugoslavia, the Muslims are recognized both as a religion and as a nation.) The conflict is ethnic and religious, but first of all it is political. The ethnic-religious societies are led by political parties that are fighting to control Bosnia and Hercegovina—in its entirety or the largest possible part of it.

The Bosnian Serbs, united around the Serbian Democratic Party, want Bosnia and Hercegovina to be constructed on the canton principle from Serbian, Croataian, and Muslim cantons. The Bosnian Croats with their Croatian Democratic Society Party also are for a cantonal federation. But the Muslims, led by the Party-of Democratic Action, are for a united Bosnian-Hercegovinian republic. Behind the Bosnian Serbs is the Serbian-Montenegrin Union Republic of Yugoslavia, behind the Bosnian Croats is the Republic of Croatia, and the Muslims are by themselves, but, on the other hand, they enjoy broad international support. The ultimate goal of the Serbs is for the Serbian canton or cantons to be united to Serbia, of the Croatians-to Croatia, and the Muslims, as the largest community, see themselves as dominant in a future unified Bosnian state. The Muslims and Croatians are in a union against "the common Serbian enemy," but this fragile union is situational and short-term, because their interests cross each other.

All have rushed to establish their claims—territorial and constitutional—with negotiations and weapons. The Serbs, who according to the general census from former Yugoslavia from the spring of last year amount to 31.3 percent of the population of Bosnia and Hercegovina, have seized two-thirds of its territory, and the Croatians, they are 17.3 percent—more than a quarter. The Muslims are 43.7 percent and are left only with a certain "island" in Central Bosnia.

Not only that. Ethnic cleansing has been carried out, all in their territory. More than a million and a half of the population of Bosnia-Hercegovina, primarily Muslims, but also Croats and Serbs, have been subjected to the cruel fate of hapless refugees.

The Muslims have been pillaged and cannot reconcile themselves with the situation that has been created. In addition, the Republic of Bosnia and Hercegovina, the president of which is their leader, Alia Izetbegovic, is recognized internationally. What is more, the United States and the European Community have denounced their earlier support of the Serbian and Croatian position for a cantonal Bosnian federation or confederation and now support the Muslim side for a united Bosnian state. All this encourages the Muslims to continue the armed conflict, since they hope that ultimately the UN and NATO will intervene militarily in the conflict and "bring the Serbian aggressor to his knees."

The Muslim world, and this includes many countries—in the Near East, Asia, and Africa—also is giving them hope. Up to now their support has been insignificant. According to Serbian sources, 2,000-3,000 mujahidin volunteers from Arab and other Muslim countries are fighting on the Muslim side. A weapons embargo has been imposed on the former Yugoslavia, but the Bosnian Muslims are receiving small amounts of weapons and ammunition from Turkey, Iran, and elsewhere by various channels. A greater Muslim intervention in Bosnia and Hercegovina may be expected.

Of primary significance is the behavior of Turkey, which has become a regional force in the Balkans and in Central Asia. Also, it is connected historically with the Balkan region. For 300 years Bosnia was an Ottoman vilayet and the Turks Islamized it. Turkey insistently wants the international community to undertake a "limited military intervention" in Bosnia and Hercegovina in order to "save the Muslim population." Also, it is important that the Turkish policy in the Balkans (and Central Asia) enjoys the blessing of the United States.

A great problem arises here—where are they pushing Bosnia and Hercegovina and is it possible for it to become an Islamic state, a Muslim republic in the Balkans and in Europe? It is possible, and it is real, if things work out this way.

Bosnia and Hercegovina is not Afganistan or Iran; it is not an Arab country. The Bosnian Muslims consider themselves to be Europeans, and Islamic fundamentalism and extremism is foreign to them. The war and the suffering are changing many things—the consciousness and views of the people are changing. Nationalism, extremism, hatred, and national and religious hostility are being inflamed. Military cruelties are routine. The Serbian rebels are driving out people of other religions, burning, killing, looting, raping. The Croatian rebels are doing the same. The Muslim green berets also have been involved in this hellish business.

As a counteraction to the Serbian rebel nationalism, and thus to the Croatian rebels, the Muslims, especially the younger generation, are turning to Islam, and in the military psychosis that has been created they are slipping into Islamic extremism. This certainly does not mean faith in Allah. Islam is perceived more as a philosophy and ideology than as a religion.

The credo of the supreme Muslim leader, Alia Izetbegovic, is interesting in this regard. He has been known as an ideologue of Islam since his youth.

Izetbegovic, born in 1925, was put on trial by the Communist authorities in 1983 in Sarajevo, together with his followers, for "hostile activity against the constitutional principles of the SFRY, based on the point of view of Islamic fundamentalism and Muslim nationalism." He did time in prison. He was rehabilitated in 1990, when the Communists lost power in Bosnia and Hercegovina. In the first free elections in November of the same year, the Party of Democratic Action, of which he is the leader, won.

In 1970, Izetbegovic published a brochure, "Islamic Declaration," which was something like instructions and was secretly distributed among the Muslims. It was published in Sarajevo in 1990. A book *Islam Between East and West* also was published. In these publications Izetbegovic extolled Islam as a source of values, Islamic rebirth, and a political world outlook for the Muslims.

Turkey, Iran, and Saudi Arabia are greatly interested in the Balkans and for an Islamic Bosnian republic to arise in Europe, and they are acting in this direction. They need a bridgehead—for political purposes. A new situation in our region would be created in this way. It is necessary to bear in mind that more than 6 million Muslims live in the former Yugoslavia, Kosovo, Sandzak, western Macedonia. All are Muslim regions and all want autonomy, and, also, Albania may be linked with a Muslim Bosnia. The Muslim chain continues through the Pirin region, the Rhodope Mountains, Greek Thrace, and thence into Turkey. Bulgaria is not indifferent to what the future of Bosnia and Hercegovina will be. It would be good for it to be a democratic, civilized, and independent European state. However, if Islamic extremism, fundamentalism, and nationalism triumph in it and it falls under a foreign tutelage, this would be a disaster.

But the weapons are not quiet along the Bosnian front, and there is no light on the political horizon. Neither the Serbs, nor the Croats, nor the Muslims are inclined toward any kind of compromise at the present stage. The promises of the Serbian leader Radovan Karadzic and of the Croatian and Muslim leaders for the heavy weapons to be put under the control of the "blue helmets" have remained fairy tales with only a propaganda purpose. On the contrary, all are armed, whoever you find. No one will throw a Kalashnikov into the Drina, and the crooked Drina, that historic boundary between Bosnia and Serbia, remains a mute witness to tragic events, as always in the past.

Russian Tactics, Goals in Balkans Analyzed

93BA0114A Sofia KONTINENT in Bulgarian 16 Oct 92 p 6

[Article by Vladimir Khristakiev: "Russia's Policy on the Balkans Has Not Always Been Consistent With Its Interests"]

[Text] Russia's objective to have an outlet in the warm southern seas and the Black Sea Straits and the Mediterranean greatly predates the wars waged by Peter the Great for "opening a window to Europe," having an opening on the Baltic Sea, and linking Russia to the Western world.

After World War II, the former USSR set up a naval base in Port Vlora, Albania, where 12 submarines were permanently based. After the deterioration of relations with Albania, the submarines left Vlora, although two of them were confiscated by the Albanians and added to the Albanian fleet.

Since the beginning of the 1960's, the Fifth Operative Fleet of the Soviet Navy sailed the Mediterranean. It was based in Syrian, Egyptian, and Algerian ports and, later, in Libya. Maintenance facilities were provided by Yugoslav shipyards.

The operative fleet was doomed to destruction in a war between the two superpowers. However, it would have delayed and partially disrupted the activities of the U.S. Sixth Fleet targeted at the USSR. The fleet included several modern submarines with cruise missiles, which were a major threat to U.S. aircraft carriers. It was only last year that the Fifth Fleet was dismantled and its ships were withdrawn from the Mediterranean.

As the bridgehead of the Mediterranean and the Middle East, the Balkans and the Black Sea Straits have always been an important target of Russian foreign policy. The naval fleets in that area were among the strongest instruments of such a policy.

Today no such ships are present. It was reported several days ago that even the remaining ordnance and ammunition of the Black Sea Fleet had been withdrawn from Bulgarian territory. A new policy has taken place: a more flexible and realistic policy consisting of a complex balance of influence, promises, and compromises, although once again exclusively focused on Russian interests in the Balkans. This can be seen from the position taken by Russia toward the conflicts in former Yugoslavia.

Initially Russia opposed the division of Yugoslavia and any military intervention in the conflict by the Western countries. Subsequently, Russian policy changed its position, but its ships steadily violated the UN embargo. Moscow recently asked that the embargo be lifted temporarily so that Belgrade could be supplied with petroleum for the winter.

The assumption is that Russia is now trying to demonstrate that it is having an independent Balkan policy and to prove that it is conscious of its Balkan allies and does not wish to be influenced by foreign interests. Thus it could preserve its influence over the Slavic population in the area and appear as its defender and even as an arbiter in the conflicts.

The only reason for which President Yeltsin came to Bulgaria was to sign the treaty. With his visit, as well as his recognition of Macedonia, Yeltsin managed to indicate not only to the Balkan countries but also to Europe that Russia has interests in that area and that, to a certain extent, it had assumed the role of umpire.

In our country the recognition of Macedonia was received as firm support of Bulgarian policy. Naturally, such was indeed the case. However, many Russian observers believe that this was a manifestation of a typical Yeltsin trait in visiting various Russian ares where he says things that please the hosts. Recently, A. Kozyrev, the Russian foreign minister, said that two months ago he had sent a letter to Greek Prime Minister Mitsotakis, explaining that Russia will soon be forced to recognize Macedonia. It was simply more convenient to do this from Sofia. Russia knew that this would not please Belgrade but it sought a balance in relations with the republics of the former Yugoslavia and could not bet exclusively on the Serbian and Montenegrin trump. The main thing here was the recognition that the Balkan boundaries are unchanged, for the violation of this principle would set a dangerous precedent for the peoples within the Russian Federation.

There was a sharp reaction in Athens to this act, but its press quite accurately defined the Russian positions: a demonstration of an aspiration actively to interfere in relations among Balkan states.

The treaty signed between Russia and Bulgaria is needed by both countries and is nothing exceptional about it. The main thing is how to give it a content consistent with the interests of both countries. In situations governed by emotions and positive assessments, very little attention was paid to an article in KOMSOMOLSKAYA PRAVDA on the day the treaty was signed. It emphasized that with this treaty Russia proclaims its interest in the Balkans and in the Black Sea area. If this means the resurrection of old imperial interests of Russia and the Soviet Union, which cannot fail to influence present Russian foreign policy, it means only one thing. If such interests are combined with the interests of our country and ensure a mutually profitable and equal cooperation, this becomes an entirely different matter.

Russia's previous policy in the Balkans had no place for emotions but only for interests. Therefore, our foreign policy toward Russia as well should not have any place for emotions, but rather should be determined only by Bulgaria's interests.

Plovdiv Representative on SDS-DPS Relations

93BA0116A Sofia KONTINENT in Bulgarian 16 Oct 92 p 7

[Interview with Aleksandur Karadimov, SDS National Assembly representative from Plovdiv, by Genka Markova; place and date not given: "The SDS Will Accept Criticism Coming Only From the Right"]

[Text] Now is not the time for us to hurl accusations at each other, but rather to find possible common points of contact with the DPS [Movement for Rights and Freedoms], according to Aleksandur Karadimov.

[Markova] Mr. Karadimov, do you think that it is necessary to have a new political agreement signed by the parties and organizations in the SDS [Union of Democratic Forces] coalition?

[Karadimov] Unquestionably. The moment of history at which we find ourselves demands it, because the two earlier agreements were signed before the elections to the Grand National Assembly and for the 36th regular National Assembly. The coalition principle assumes equal participation and, of course, an equal voice for all members. But some of the parties, movements, and organizations in the coalition should reevaluate their capabilites. They should determine if they have national structures operating not only as a political mechanism but as a factor in the life of society, or again if they serve merely personal ambitions. Perhaps for this reason this is rather an appeal for possible enlargement of the SDS structures, even for merging smaller organizations into other larger ones capable of exerting social and political influence. But there is only one appeal that I will venture to express.

[Markova] If the stage of enlargement of the parties within the SDS coalition is reached, what effect would this have on your parliamentary group?

[Karadimov] In no case would it have any effect. For 11 months now there have been no interparty squabbles in the parliamentary group. If there have been disputes, they have been on a professional basis, while the conflicts have been chiefly personal.

[Markova] Do you accept or reject the allegations that there have been attacks on the Democratic Party?

[Karadimov] Something that gives me serious concern has been observed in recent weeks. It was launched exclusively as an attack on the Democratic Party, against its right-wing platform, against conservative ideas, which, of course, have been adopted in a neoconservative plan. It was almost stated that the Democratic Party was the leader in the SDS; this is precluded by the coalition principle on which the SDS is based. The attack was directed against the right-wing position, against conservative ideas, against right-wing extremism, against right-wing fascism. Witness the escalation of political epithets. I very much fear that the point will be reached of ideological polarization of disputes, and this

is inadmissible. We have suffered very much as it is from experiences with ideological polarization in all areas of the life of society.

For this reason I want to emphasize that at the moment the SDS is prepared to accept any criticism coming from the right, but not from the left, because critics associated with populism, with their vague demands, would hardly contribute to prompt solutions of the problems of Bulgaria.

[Markova] You and two other SDS deputies from Plovdiv were the first to bring up the question of the place of Dimitur Ludzhev in the SDS parliamentary group on the basis of the ideas presented in his memorandum. What is your assessment of this document?

[Karadimov] In my opinion, dry statements of fact are made in these materials. In most cases there are no alternative ideas, or if ones are presented, the ideas are advanced merely as theoretical points with no serious supporting arguments. What we see in these three documents is a collage, a free collection of ideas that are, to put it mildly, eclectic. This is of course the result of a single discussion.

[Markova] And will there be another such a discussion, in that moves were made against this memorandum even before it made its appearance?

[Karadimov] I see no social need for special discussion inside the SDS. Whose assignment are we to carry out, that of society or a personal assignment from someone who views himself as a messiah, a reformer, in order to bring about examination of the groups represented in the Union of Democratic Forces?

[Markova] Just for this reason is there a growing opinion that heresy is not welcome either in the NKS [National Coordinating Council] or the SDS parliamentary group.

[Karadimov] This is absolutely not true. Mr. Ludzhev ventured to express criticism of the various structures in the SDS, of various government institutions that are currently represented by the SDS. Such critical comments were made even before the elections, and they are being made even now. They are being discussed and some of the ideas are being put into practice, but we cannot give to a person the right to criticize specific circles representing individual formations in the SDS or, God forbid, of certain individuals.

[Markova] Do you expect the delay in solving the current political riddle to continue much longer?

[Karadimov] We are not involved in any delay here. The SDS is prepared to discuss and resolve any problem that comes up. The delay is due rather to our partners, from whom we expect a forthright, clear-cut statement of position and evaluation of political processes.

[Markova] Do you not consider it to be a mistake for the SDS to insist on signing of the agreement with the DPS as early as the beginning of next year?

[Karadimov] Let us find out who is responsible for not speeding things up and who does not dare sign the agreement. Surely you know that the SDS is willing to have a more serious relationship. This is a position that would do no harm to our DPS partners. But now is not the time for hurling accusations at each other. On the contrary, a serious basis for action can be found by way of common wisdom and mutual understanding.

Ludzev's Personality, Personal History Detailed

93BA0117A Sofia 168 CHASA in Bulgarian 6 Oct 92 p 16

[Article by Penka Dimitrova: "A Bright Lad, but Ideologically Behind the Times"]

[Text] Hardheaded Dimitur Ludzhev was inconvenient to the old totalitarian power, but even to the far-right SDS [Union of Democratic Forces] he continues to be an enemy with a party card.

"Forget the name Dimitur Ludzhev at least for some time to come," stated Ludzhev upon leaving his Ministry of Defense office in May. But it is not because journalists are an unruly and stubborn breed that the name of this SDS deputy has hardly ever been absent from newspaper columns and radio and television programs. It is just that he is a person who would not for anything in the world fail to take part in events and even create them.

Born under the sign of Aries and endowed with a megadose of pragmatism, Burgas native Dimitur Petrov Ludzhev got into politics at the end of the 1970's. While in Moscow in 1971 and 1972 he became one of the dissidents in the group around Viktor Danilov. When he returned to Bulgaria, he had already been marked down as a heretical thinker.

He completed studies at the Karl Marx Higher Institute for the National Economy, graduating as a specialist in political economy with a narrower specialist in sociology. After completing a competitive test, he began employment at the Institute of History of the Bulgarian Academy of Sciences, where he was concerned with recent history. He is not ashamed to admit two things: that he was a Komsomol secretary at the mechanical engineering vocational school in Burgas and that he worked in the History of Socialism Department. He was interested in the rise of the bourgeoisie in Bulgaria in the 1930's and the development of working class movements and the intelligentsia.

Through Professor Nikolay Genchev he became acquainted with Zhelyu Zhelev. In 1979 he was placed in preventive detention and signed a statement acknowledging that he had been warned not to disseminate banned literature and not to attend meetings advancing views with which the government did not agree. Two years later he came upon the *Razvigor* (Warm Spring Wind) through the *Tvurdoglavtsi* (The Obstinates) case.

One of the persons investigating him stated at the time that he was "a nice lad as far as that goes, but a little out of date ideologically."

He brought himself more up to date. Ludzhev created the Historian Club, which was immediately forgotten. He attended schools in Primorsko, associating with persons not liked by the regime. As a result his defense of his dissertation was deferred and no action was taken on his application for going to the West to take specialized training.

He was active in the circles from which the Club for Defense of Glasnost and Perestroyka was to be formed later.

In 1987 a human tragedy derailed him and kept him inactive for some time; his teenage son, his second child, died.

Whether from sympathy or under pressure applied by his friends and like-minded persons, who wrote a letter to the head of the department at the institute, the process of Ludzhev's qualification as a university lecturer was finally initiated. It came as a surprise even to him when his application for travel to undergo specialized training in the United States was approved. He left at the end of 1988, and consequently his name does not appear among those of the first members of the Club for Defense of Glasnost and Perestroyka registered on 3 November of that year. Ludzhev became a member of it in February of the following year, and he was immediately elected head of the history section.

He was one of the founders of the Union of Democratic Forces in 1989. At the first meeting of the democratic opposition, in the presence of witnesses, Ludzhev began to cry. He later was gradually cured of enthusiasms and historical romanticism. His work did not leave him time to experience the changes emotionally.

He was elected deputy to the National Assembly. He was detached from the Coordinating Council of the SDS to become deputy prime minister in the first noncommunist government. The burden of responsibility for launching the economic reform was placed on him. He was on the SDS economic team along with Ivan Kostov and Ivan Pushkarov. They were declared to be three fools. The other two played their game, while he kept whispering into our ears softly the word reform, reform, reform. And so he became the target of tart comments by the free press and the blame for the delay in changing the system.

Dimitur Ludzhev became a deputy again after the 13 October elections. Because of his firm resistance to the demands made by the miners during the nationwide strike in 1991, the former deputy prime minister in the right-wing coalition was not wanted by the leaders of the

Podkrepa trade union as a member of the new democratic government. As it later turned out, the miners of Podkrepa had nothing against the chairman of the threeparty commission for coordination of interests.

And to this day it is not known with certainty if Filip Dimitrov on his own initiative made Ludzhev war minister in his cabinet. The only thing clear is that this appointment was something on which the prime minister choked.

The "father of reform" felt comfortable in his role of war minister. At the Defense Ministry he immediately began to decommunize structures and start changes toward an army of a new type. A team began work under his direction on drafting a law on the armed forces. At the same time, Ludzhev irritated like-minded persons in his office by stating his independent opinion on the ecomomic and financial policy of the government.

After he started working with Dr. Trenchev, he became a dangerous opponent for the prime minister. He has the gift of being able to tame his adversaries, but he does not always succeed. Podkrepa raised the question of personnel changes in the first SDS government. There were no negative comments about Ludzhev. It did turn out, however, that he was an inconvenience to the prime minister, and especially to his foreign advisers, by his not allowing even a suggestion to be made to use the army against the trade union resistance to the government's antisocial policy and by being an obstacle to satisfaction of the appetite for the enterprises of the military industrial complex.

Without serious reasons being presented for it, Ludzhev was forced to hand in his resignation as minister of defense and return to the parliament. President Zhelev defended him, noting that if a need for a caretaker government were to arise, he would not hesitate to assign the task of forming one to Ludzhev.

On the basis of a medical recommendation, Dimitur Ludzhev does not sit for excessively long periods in the plenary session hall. With no attempt at being dramatic, he sometimes grabs at his heart. But he is carrying out his legislative program. His draft law on cooperatives has been passed, and he has introduced amendments to the laws on foreign investments, pensions, and cooperatives. A small business regulation has been drafted under his guidance.

Those in power see in the person of Dimitur Ludzhev a threat to the unity of the right-wing coalition. After assembling recognized experts at the Center for New Politics, he fully met the definition of an "enemy with a party card." The Center for Counterdisinformation in the halls of government is mobilizing for a series of compromising situations. However, rather than call the out-of-control deputy names, the advisory body is driving its team toward its own goal.

Executive Director of TS Bank Interviewed

93BA0118A Sofia IKONOMICHESKI ZHIVOT in Bulgarian 7 Oct 92 p 2

[Interview with Yordan Peychev, executive director of the TS Bank, by Ventsislav Ganchev; place and date not given: "Good Money in Good Hands"]

[Text] The TS [Tourism and Sports] Bank—the Bank for Tourism, Sports, and Other Initiatives—opened its gates at its new address in Sofia, which is 4 Sveta Nedelya Square. The reasons for the move were strictly organizational. The old premises became too small after, in less than one year, the flow of clients increased greatly. In turn, through their deposits, they strengthened the financial power of the bank, which from an initial capitalization of 50 million leva today has 140 million leva, and indications are that soon this amount will exceed 600 million. It is clear that the initial good investment found itself in good hands. Actually, such is the symbol, both in terms of meaning and graphics, under which the bank personnel are zealously working. Is it possible, in this case, to speak of laundering dirty money? This was the first question we asked of Mr. Yordan Peychev, the executive director of the TS Bank.

[Peychev] Usually, the concept of "laundering dirty money" is related to attempts at legitimizing totalitarian accumulations of funds acquired illegitimately, whereas in the establishment of the TS Bank, the state sports and tourist complexes accounted for no more than 35 percent of the overall capitalization, as compared to 65 percent of private, stock, mixed, and foreign companies and organizations. In the process of increased capitalization you mentioned, the state participation even declined by 10 percent. So, what kind of dirty money laundering could there be in this case?

[Ganchev] Still, the progress made by the bank is more than obvious. How can you explain it, considering that the bank did not begin its work at the highest possible financial level. Nor do you have the best and most experienced financiers in the country.

[Peychev] Above all, by the fact that, metaphorically speaking, tourism and sports firmly shook hands for joint action on the territory of the Bulgarian economy. The bank's team did not start at the top of the pyramid, i.e., with advertising, but tried to strengthen its foundations. The cadres were trained abroad in most prestigious institutions. At the same time, the necessary technical facilities were procured, which now enable us to carry out all operations without delay.

[Ganchev] Are you referring, above all, to making payments within the stipulated three-day period?

[Peychev] That as well. Essentially, we are a private bank and in no case can we allow ourselves any delays in

payments. This would inevitably repel our customers. But let me go on. We already have eight branches in the country plus our office—in Sofia, Blagoevgrad, Lovech, Plovdiv, Burgas, and Sozopol. By the end of the year we will have 41, covering the entire territory of the country. We have developed direct corresponding relations with a number of countries on all continents, something that, as I shall explain later, unfortunately, we are still unable to make suitable use of....

[Ganchev] What are your immediate and more distant objectives?

[Peychev] After we have decided that our domestic banking space has been well covered, we should do the same with the territory around the bank. For the time being, although there are only two of us, we have developed the Tourism, Sports, and Other Activities Company. Such a company will promote and develop activities as a brokerage house and an accounting, insurance, consulting, commercial-supply, design, construction, and production enterprise. I shall not enumerate here all activities entrusted to it. Its structure indicates, however, that the bank is already preparing for the forthcoming privatization of tourism and sports, and other sectors.

[Ganchev] What will be your strategy and your contribution to the implementation of this process, which is of the greatest importance for the development of the Bulgarian economy?

[Peychev] I hope that my answer will not be viewed as an opinion but rather as specific advice to our economic officials, both state and private. Above all, we are preparing ourselves for providing loans to the real participants in privatization. I believe we can do this. We are able to offer them all the channels and connections for the most efficient utilization of such loans, for new construction and updating existing facilities, installing modern technologies and furnishing projects, and developing franchising networks for exploitation, technology, procurements, marketing, advertising, etc., not to mention all other activities. Therefore, every one of our customers will be able to rely on the type of cooperation that will turn him into a real producer of goods or services.

[Ganchev] Such activities characterize the TS Bank not as a branch but as a universal enterprise.

[Peychev] This is true. Actually, this is a basic problem that must be resolved next year. Next year must become a year of actual specialization if we concentrate on this area. For example, we must develop foreign currency activities; cash operations with the proper material base, cadres, and security, or else support of popular credit cards, something that is only now being discussed in our country more frequently. Naturally, all of this must be based on well-established overall banking activities.

[Ganchev] Are there problems that are hindering your work?

[Peychev] Excluding more secondary problems and those the solution of which depends exclusively on us, we have only one such problem. So far the BNB [Bulgarian National Bank] has not issued us a full license, including the license to handle foreign currency, referring to the need for 50 million leva in capital, as required by the law in such cases. However, no other bank has such available capital, although such banks have a license to deal in foreign exchange. That is why we hope that in the immediate future this injustice will be corrected and we shall become the equal of such institutions, which will enable us to develop active correspondence relations

with banks abroad, for we have already received invitations to this effect. The overall required organization is already in place.

[Ganchev] What do you expect of the bank reform?

[Peychev] The principles behind bank reform are positive. Considering the developing competition in this area, we truly need consolidated powerful banking institutions. In terms of our specific situation, however, our stockholders hope that the TS Bank will preserve its present nature and will struggle to achieve this!

Havel on Current, Possible Future Developments

93CH0067A Prague LIDOVE NOVINY in Czech 20 Oct 92 pp 1, 8

[Interview with Vaclav Havel, former president of the Czech and Slovak Federal Republic, by Eva Martinkova and Jiri Hanak; place and date not given: "Three Months After Abdication—I Do Not Believe That the World Is Somehow Especially Curious With Respect to 'Czech Interests'"]

[Text] The last time Vaclav Havel consented to an interview for LIDOVE NOVINY was three days before the July election of a federal president. Shortly thereafter, he abdicated. Since that time, much has been clarified. With the greatest of probability, the joint Czechoslovak State is experiencing its last weeks of life. The election of a Czech president looms on the horizon. A number of political parties are contemplating a single candidate. He is Vaclav Havel.

[LIDOVE NOVINY] Do you not have the feeling that you made some mistakes with respect to Slovakia? Many Slovak Democrats blame you for changing your views with respect to what is happening in Slovakia. You no longer call it a threat to democracy but, rather, a necessary emancipation process.

[Havel] It is likely that I committed various errors with respect to my policy on Slovakia: I definitely do not consider myself to be a person who makes no mistakes. However, I am not aware of any fundamental or fatal mistakes. I was always attempting to assert democratic processes and to warn against the danger of violating them-in both the Slovak Republic and the Czech Republic. However, at all times I was thinking about the Slovak emancipation efforts and took them into account. In the last election, these efforts, which were undoubtedly democratic in nature, asserted themselves very specifically: Those parties that wanted to make Slovakia independent to one or another extent or by one or another method clearly won a victory in Slovakia and have already clearly incorporated their will into the adopted Slovak Constitution. Only a fool could fail to take that into account. That is one thing. Another matter is the extent to which the election victors in Slovakia tend to favor undemocratic methods. If they favor them, that is deserving of criticism. Emancipation cannot be the reason for undemocratic action or for its justification.

[LIDOVE NOVINY] How would you react, from a purely academic standpoint, in the function of Czech president, to any possible violation of human rights among your neighbors? Would you invite dissidents to a breakfast meeting and then shake hands with the representatives of that state, or would you attempt to adopt an uncompromising position that is not influenced by geopolitical things?

[Havel] I always favored the view that human rights and freedoms are inseparable and that their violation requires criticism without regard to borders. I would

undoubtedly be doing that, even if I were to find myself in a position of which you speak. Of course, I would have to choose a method appropriate to that position. The forms of protest that are appropriate for an independent journalist and for the representatives of another country will always differ, for understandable reasons.

Moreover, the fact that Czech criticism will be perceived in Slovakia in a different manner from criticism from anyone else must also be taken into account. That is not a matter of the speciality of today's governing team. I have also observed that with respect to those individuals who are in opposition today and are calling for Czech criticism of Slovak conditions. When they were not yet in opposition, they also regarded Czech criticism with heightened sensitivity. It would seem that a politician must be faithful to his principles, but, at the same time, he cannot conduct himself like a bull in a china shop. It is not easy to productively meld these two requirements, and I do not doubt that, no matter how well thought through my actions would be in that regard, my procedures would always be criticized by someone.

[LIDOVE NOVINY] Do you understand the background of the events at Trnava University?

[Havel] When Minister Pisut proposed that I appoint Dr. Hejduk to the position of rector of that university, he told me, in writing, that Dr. Hejduk was neither a docent nor a professor—something that is a condition dictated by law. The Cultural and Propaganda Section, which prepared the nominating decree for my signature, did not bring that reminder to my attention, and I thus signed the nominating decree. A legal mistake was made; I should have first appointed Dr. Hejduk as a professor and only then as rector. However, if that mistake were to be used as a pretext for the destruction of the entire nascent Trnava Center of the free-thinking intelligentsia, I would consider it to be tragic. The Slovak Government would truly not be doing a service for Slovak affairs by that act

[LIDOVE NOVINY] In recent times, there has been much talk of a conflict of interest and of the fact that a relationship between government officials and business has not been regulated by law. You personally have no appetite to try your hand at business? How will you handle any returned property?

[Havel] For my entire life, the Communists accused me of coming out against the regime only because I wanted our family businesses to be returned to us. I laughed at that all of my life. History (or rather the restitution laws) meted out a cruel punishment to me for that premature ridicule: Following the fall of communism, our family business enterprises were indeed returned to us. However, that did not awaken an appetite for business within me. It more likely awakened a desire in me to somehow get rid of the property that had been restituted. That is not completely easy for many reasons, including the fact that I do feel somehow responsible for the future fate of

the work of my ancestors. For the present, together with my brother as owners of the real estate holdings involved, we have ceded the entire administration and management of those holdings to a corporation with limited liability, in which our wives are active. It is my understanding that that is a temporary solution throughout, and I favor the idea that everything should be transformed into a stock corporation and that we should turn over a portion of the securities to some firm that has taken on the reconstruction of those facilities (they require investments in the billions). And only after I were to become certain that the reconstruction were in good hands and progressing in the proper direction would I gradually sell off my securities, and that would be the culmination of my becoming unfettered from the restituted property. Perhaps I could thus acquire the means for various random purposes, permitting me to actually lead an independent life. A life that would not even be dependent on my writing, which has thus far been the source of my private income. (I never thought of the presidential salary as money that was actually mine, and that is why, for the most part, I always gave it away.)

[LIDOVE NOVINY] You always stood up for the circle of your much criticized advisers. The majority of them are no longer active in the Office of the President. Those who have remained are working in accordance with a new organizational code you introduced shortly before your abdication at Prague Castle. Some of them participate in your private meetings with political representatives. Does that somehow represent a kind of waiting for the boss? What if you do not become their chief? And, if you do, will you bring new people to Prague Castle?

[Havel] If anyone from the Cultural and Propaganda Section participates in my political meetings, he does so not because of his employment at Prague Castle but as my friend. If someone else becomes president, it will be up to him only who he employs in the section. If I were to be president, I would insist on continued cooperation with those who serve today within the Cultural and Propaganda Section, but I would most likely have to add other personalities. Following the abdication of my collaborators, leading political positions have not been staffed; some of the people remained at Prague Castle and head appropriate units as deputy directors.

[LIDOVE NOVINY] Does the Vaclav Havel Endowment for the Development of Prague Castle have anything to do with your presidential function?

[Havel] The endowment to develop Prague Castle is in no way connected with the presidential function. I established it because Prague Castle grew closer to my heart during my stay in office; I acquired a slight insight into its problems, and I found that many who wanted to donate something for its development had nowhere to put their money. (If they were to give it to the Cultural and Propaganda Section, that section, as a budgetary organization, would have had to turn the money over to

the Ministry of Finance.) Our endowment will be appropriating any acquired funds mainly for study purposes and for projects.

[LIDOVE NOVINY] The fate of the man who is credited with overthrowing the regime now depends on decisions made by another man, who did not specifically work to topple the regime. This is somehow the tone of some foreign commentaries regarding your current position. Your mutual dependency on Prime Minister Klaus is undoubtedly considerable and is generally being considered useful for this land. Will you be able to tolerate it?

[Havel] I would not call our relationship with Vaclav Klaus a relationship of mutual dependence. Rather, I would say that there is a will for political collaboration. We are all different, and perhaps that is precisely why we could supplement each other in many respects. My possible candidacy for the office of Czech president is understandably dependent to a considerable extent upon Vaclav Klaus as the leader of a victorious party and of the government coalition in general. However, my fate as such is definitely not dependent upon them. I do not have the impression that I would be unable to "carry off" cooperation with Vaclav Klaus. We are both mature individuals. We respect each other's views, and I believe we are capable of reaching agreement.

[LIDOVE NOVINY] How do you evaluate the actions of the opposition? Do you share the view that is occasionally articulated by some politicians regarding the danger of a leftist coup? Do you feel that any of our opposition parties have the opportunity to become a constructive democratic left?

[Havel] I have serious reservations regarding much of what the opposition does, but I absolutely do not think we are threatened by any kind of a coup. Opposition is the natural component of a democratic system; it cannot be thought of separately, and I firmly believe that even our opposition will still mature. Anyway, even the parties in the government coalition will mature.

[LIDOVE NOVINY] In your meetings with the "Moravians," you indicated a certain amount of understanding for their efforts. However, the HSD-SMS [Movement for Self-Governing Democracy—Society for Moravia and Silesia] represents only a small portion of the population of Moravia and Silesia. According to the election results, the largest Moravian party is the ODS [Civic Democratic Party].

[Havel] I believe that something akin to "identifying with the land" exists in Moravia, without regard to which party obtains how many votes. I have always thought that our constitutional system should somehow take this fact into account. But I did not know how. In a situation in which the relationship between the Czech Republic and the Slovak Republic had not been clarified. I felt that it was very difficult to solve the "Moravian problem." It was an equation with far too many unknowns. The views of politicians regarding this

problem were moving in diametrically opposed directions, and I did not want to polarize the situation even more by making some kind of rash statement. But today, when we already know that the federation will be no more and when the Czech Constitution is being prepared, I believe that the time has come for the Moravian question to be solved by some sensible method. Otherwise, it could later come back to us in a substantially sharpened form.

[LIDOVE NOVINY] What kind of solution do you feel would be an optimum one for the administrative land breakdown?

[Havel] I would consider it to be the most natural arrangement if the Czech Republic were broken down into seven higher self-administrative units-into five krajs (Prague Kraj, West Bohemia Kraj, North Bohemia Kraj, East Bohemia Kraj, and South Bohemia Kraj) and into two lands (Moravia and Silesia). All of these higher self-administered units would understandably have the same legislative standing (direct elections to kraj or land assemblies, the right to legislative initiative, substantial decision authority within the framework of a given unit). The lands would differ from the krajs terminologically (this is not only a formality but also is necessary to renew respect for the original meaning of words), they would have their own symbolism, and I can well visualize that they could also have several additional special rights based on their historical traditions (for example, a somewhat different status in establishing contractual regional cooperation with foreign countries). This measure of asymmetry is customary in naturally decentralized countries and does not lead to disintegration, but, rather, promotes the opposite. In Bohemia, there is no specific "identification with the land," Bohemia as a selfadministered unit would be an overly large and awkward body, and its organs would be perceived as being artificial, imposed, and duplicative of republic-level organs. A new dualism would come into being unnecessarily here. A Czech land without the city of Prague is nonsense; it would be a body without a head. And dividing Bohemia into smaller lands would have no historical justification. It would only serve to undervalue the term "land," and many Moravians would perhaps rightfully perceive it as yet another Czech trick. (Many Moravians would have difficulty reconciling themselves with the idea that Moravia is placed on the same level as, say, East Bohemia.) These self-administered units (krajs and lands) would approximately reflect, in terms of their size, the notions of the government coalition (involving ! million and approximately 2.5 million inhabitants), and this setup would perhaps best reflect the actual status of things. Of course, the importance and weight of the individual self-administration units would, in the future, be dependent not only on their size, the type of their historic self-awareness, and a feeling of congruity that exists within them, but would also be primarily dependent on the realistic work done by their elected and executive organs—in other words, on what these bodies will or will not be capable of doing to develop the appropriate unit.

[LIDOVE NOVINY] Is it necessary for this setup to be specifically listed in a new constitution?

[Havel] I would consider it to be better for many different reasons. However, whether agreement can be reached on the matter is something I do not know.

[LIDOVE NOVINY] You have long harbored fears that the Czech State will not have a constitution ready when it comes into being. It would appear that this is no longer a threat. Is the independent state threatened by some other danger?

[Havel] One can visualize various dangers. As one of the possible dangers, I would consider certain provinciality or a degree of resigned selfishness. It seems that we already have a tradition in this regard: When our homeland is being reduced against our will, we tend to fall into a kind of despondency, which we then pretend is realism. This then bumps up against the political atmosphere in the second republic, which, in the end, logically grows into pure opportunism. Let us notice how the frequency of using the term "Czech interests" is growing today. I detect a certain whiff of defeatism here. In the spirit of the saying that "the shirt is closer to the skin than the coat" when we have lost something, we must continue to think only of ourselves. The formulation "Czech interests" conjures up the idea that this interest is somehow different from the general interest, as if it were an interest that is somewhat more modest, but is actually ours-a "little Czech one," as Vaclav Cerny would have said. I do not believe the world is somehow particularly interested in "Czech interests." It is more likely interested in how we are capable and willing to contribute to the fulfillment of general interests. In my opinion, if we shall serve those interests, that will be the best possible service, even with respect to "Czech interests."

[LIDOVE NOVINY] The idea of the direct election of a president did not enjoy much favor just a few months ago. Now it seems that a number of political parties are espousing it. As is known, you also prefer it. Why?

[Havel] People occasionally confuse the so-called presidential system with the principle of electing a president directly. Under presidential systems, be they U.S., French, or any other type, the president has great authority and is essentially the chief of the state executive—that is, of the executive power. He is customarily elected by the citizens by means of a direct election. But there are many countries where a presidential system does not exist and where the president is also elected directly (in Austria, for example). The majority of the postcommunist countries are inclined toward the direct election of the president. This is undoubtedly so because these are countries in which the democratic system is still being born, where there is not yet a completely crystallized political spectrum, and where there is a threat of considerable political instability. A directly elected president, without regard to the extent of his constitutional authority, is necessarily a factor having a certain degree of his own and not a derived political legitimacy and,

thus, has a certain amount of room for his own political conduct. He is not so much dependent upon a rapidly changing political situation and upon the current status of the various political parties that are still in their final phase of formation, and thus can play a certain integrating or balancing or "neutral" role and function as a representative of independent statehood, which is renewing itself, and as a representative of its continuity. Said in a simplified manner, a state with a directly elected president is not perceived by its citizens as being a complete peccadillo of their own changing political moods, sympathies, antipathies, or whims.

Nevertheless, I do not think that the election of a president by the citizenry should be a permanent constitutional institution in our country. It has no tradition here. If we will have a senate, then that "differentness" of political legitimacy for a president (in comparison with a government) would be adequately assured if he were elected by both chambers of the legislature (whereas a government would enjoy the confidence of only one of them) and if he were not recallable by the parliament. This was the case during the first republic. A different matter, however, is the first election of a Czech president-in other words, elections held at a time when we will obviously not yet have a senate (provided it is not formed by delegates to the Federal Assembly, something I would not consider particularly fortuitous). As a onetime act at the beginning of our altered statehood, a direct election would have its undeniable advantages:

- 1. The citizens would acquire the opportunity of at least expressing themselves positively on something during the beginnings of the state and would be able to, by their expression, actually indirectly confirm this state. (By electing the head of the new state, they would actually be electing even a new state.)
- 2. This expression would have the character of an actual and universally intelligible choice: Anyone could elect either a single candidate, a second candidate, a third candidate, or no candidate. This procedure would have an advantage over, say, a ratification referendum for the Constitution. (Who among the voters will read the Constitution, and who will recognize whether it is good or bad? In the absence of several alternatives, what will be left for the sensible voter to do other than say "yes"? That would make political sense, but, from the standpoint of the citizen, it would be only a somewhat formal "choice.")
- 3. At least one constitutional factor would be elected as a factor of the new state, and, as such, he would be unproblematically legitimate (all others were still promising to be faithful to the federation). Through his legitimacy, the president elected by the citizens could indirectly legitimize not only the state, but also all of its constitutional institutions and its other representatives.
- 4. That would undoubtedly be more practical than the luxury of holding a new election.

5. If I regard this matter from a purely political standpoint (from a so-called pragmatic standpoint), it would be advantageous for everyone: A directly elected president could allay the opposition's fears that everything is exclusively in the hands of the victors in the last parliamentary election; for the government coalition, it would be advantageous because, by directly electing the first Czech president, the citizens would have indirectly expressed even their approval of its policies in matters of our statehood.

In short, I generally think that, in our present situation, the direct election of the president would be a useful thing, and that the advantages of such a road outweigh its disadvantages. However, if I look at matters from a purely personal standpoint, as a possible candidate for this office. I must state that for me it would be infinitely more comfortable if the president were elected by parliament.

[LIDOVE NOVINY] Mr. President, are you already thinking about your New Year's message?

[Havel] For the present, the federation has not been officially disestablished. The Czech Republic is not yet an independent state. For the time being, it does not have its constitution and, thus, not even the office of its president. Given that situation, it would be truly premature for any possible candidate for that office to already be composing his New Year's message. Nevertheless, we should all already be thinking intensively about what kind of state this will be, on what values it will be based, what prospects it will have, and how the citizenry will perhaps be experiencing it, without regard as to whether one of us will have the opportunity and the honor of incorporating the results of his contemplations into the New Year's message.

Danger of Assimilation by Czech Culture Noted 93CH0060A Bratislava LITERARNY TYZDENNIK in Slovak 3 Oct 92 p 13

[Article by Xenia Semancikova: "Is Slovak Statehood an Anachronism?"]

[Text] The 19th century is sometimes called the century of national interests because the establishment of national states culminated in it. Developments in the 20th century were different, marked mainly by economic interests. The process of emancipation of those r. 'ions that have still not obtained their statehood is, however, coming back into play. There is a confrontation taking place between the two principles, the economic integrating one and the nationalist one. A preference for the national interests is today considered to be an anachronism and a drag on the achievement of the "primary"—that is, the economic—goals. The entire conflict is then expressed in terms of a battle between two "philosophies," the conservative nationalist one and the progressive civic one.

This is a superficial and deceptive viewpoint. Apparently, it only takes in the problem and not only does not define or resolve it, but even makes it more acute. The actual dilemma consists of something other than a contrast between reaction and progress. The economic development is determined by laws of the market that point toward integration. The larger and more unified the economic area, the greater the profit and the efficiency. A practical understanding of the economics dictates an orientation toward unification, toward equalizing the mutual differences, and toward uniformity, which has a final result of homogeneity of the common area.

The spiritual development of nations opposes such objectivization. It is distinguished by its uniqueness, by what can be called "subjective" and whose value consists of its specifics. The national qualities exist as long as the subject (the nation) cultivates its own uniqueness and continues to intensify it on the basis of "external" objective stimuli.

Economic integration and national self-definition are thus a reflection of two developmental orientations. which are the consolidating nature of unification and the differentiating nature of self-preservation. To consider either of these two processes as less valuable than the other is absurd. Nations that have already defined their statehood are inclined toward integration, but not without limits and not without fears. This is demonstrated by the attitudes of Great Britain and, recently, Denmark as well. They are aware of the danger of weakening their specific national nature. On the other hand, even newly defined nation-states feel the need to join in the integrating processes. So several questions come up immediately. Why is there the contradictory and, at first glance, the illogical attempt first to get out of one state entity and then to join another? To what degree is the newly unifying entity capable of preserving the uniqueness of the components that make it up? Does it make any sense to cling to nationality tooth and nail? Is this not just a relic of the past? There can be several answers to this. National self-definition and selfpreservation are an anachronism that can be overcome (according to the ODU [Civic Democratic Union] and the DS [Democratic Party]). National self-definition and self-confirmation are indeed essential, but only after we resolve our economic problems (KDH [Christian Democratic Movement]). Despite the economic problems and a reduction in our standard of living, our primary duty is to implement the Slovaks' right to selfdetermination (SNS [Slovak National Party], HZDS [Movement for a Democratic Slovakia], and SKDH [Slovak Christian Democratic Movement]). How do we get out of this dilemma?

Our entire national history can be described as a history of pressures to assimilate, either Hungarian or Czech. The Slovak intelligentsia grew up in a Czech culture and in the Czech cultural traditions. It is only natural that the values of Czech culture were accepted as their own, and they identified with them and partially "assimilated"

them. That part of the intelligentsia still today feels and thinks in Czech and identifies itself with the Czech mentality, giving priority to the Czech culture over the Slovak as something more valuable. It is not conscious of the fact that it has actually become Czech intelligentsia, which only through inertia continues to use the Slovak language as the last distinguishing feature in its relationship to the Czechs. This type of cultural assimilation also affects other social strata, but, in the ranks of the intelligentsia, it is already a warning signal. In just thinking about the last election and the fact that the DS and ODU, organizations that have been assimilated by the Czech culture, had the most votes from the ranks of the intelligentsia, however, one cannot remain indifferent.

But that is not everything. The Slovak intelligentsia not only became Czech nationalists (of course, without the negative meaning of that word) who vehemently support Czechoslovakia and thus actually the Czechs. The Slovak intelligentsia is beginning to look at everything Slovak with disdain and to take a position against the people from which it came. Added to this are the manifestations of chauvinism—in this case, of the Czech type.

The process of transforming the Slovak intelligentsia into Czech nationalists has already been defined by Jan Litecky-Sveda. What has caused its further change, however, this time to Czech chauvinism?

Chauvinism usually crops up where there is a persistent attitude of superiority and megalomania or where there exists a feeling of threat to the nation. In the case of our intelligentsia that has become Czech, it is a matter of a threat to their social and economic position in the new Slovak State or a decline in their standard of living as a tax for "Slovak values" that do not mean anything to them, and which appear to them to be an unnecessary tax. Added to this is a feeling of a threat to their own persons (from fear of "nonrecognition" through fear of repression for holding a different opinion), but mainly a fear that, in the process of pressing for Slovak national interests, the values they recognize and that correspond to the Czech national mentality will disappear. We therefore do not wonder at all when many of the people who have a pro-Czech orientation say, "If an independent Slovak state is established, we are moving with our entire families to the Czech lands.'

Another group of the Slovak intelligentsia does indeed recognize the nationalist principle, but, for "rational" reasons (instability, a worsening standard of living, making relations with the Czech people more complicated, or fear of our statehood not being recognized by the world), rejects specific actions aimed at national emancipation for the immediate future. I see this as a natural desire first to find security in one's existence and finances and then to proceed to noble spiritual goals. Put in terms of logic, first we get prosperous and get on our feet in the common economic area, and only then, after 10 years, when we have its goodwill, we declare statehood for Slovakia. This is a naive idea. After 10 years in

a functioning "civil" society—that is, a Czech society—who will feel the need to declare for the Slovak national interests when we got along without them the entire time? I see the greatest risk of this approach to be just this additional 10 years of assimilation. Let us remember the situation in November 1989, when, after 70 years of coexistence with the Czech people, 80-90 percent of the Slovaks felt no need for their own statehood, but, on the contrary, fully identified with that of Czechoslovakia—that is, with the Czechs. It has taken us two years to convince the Slovaks of such an obvious matter as the need for a firm national anchoring point, and, so far, we have succeeded only partially.

Personally, I lean toward the third and current solution. If we want to preserve another European nation against extinction, we will have to deal with a temporary decline in the standard of living as an unavoidable consequence of the declaration of Slovak statehood. We consider the withdrawal of a nation from a state union that is assimilating it a prerequisite for its preservation, even at the cost of risk. Only then can we consider economic integration on the principle of equality with each other. Whether further developments can bring the national identity to terms with the European and global unification and integration, or whether it can do it without suppressing the specific nature of nations, that is the question. Even the early English philosopher Herbert Spencer stated that "homogeneity is marked by instability." Today, information theory is developing this thought through the concept of entropy: "If the basic law of the cosmos is to increase entropy, the basic law of life is, on the contrary, to increase the level of structure and a fight against entropy: life opposes every uniformity and unity, and its future is not in 'an equal nature' but in variety...." (V. Havel, "Vaclav Havel's Letter to Gustav Husak"). Preservation of the specific national qualities is the basic prerequisite for the development of a global culture. We consider it unjust to rate a culture according to the size of the nation and how advanced its economy is. Only the number of giants in this or that nation can be "objectively" measured, not their quality. In a more numerous people, living in a more advanced economy. the probability of the appearance of a genius is greater than in a less numerous and poor nation, with a lower percentage of educated people and a smaller number of intelligentsia.

The Slovak appears less valuable compared to the Czech. This is justified by the "less valuable" culture, and, in a Czech environment, even one's language is given up. A Czech, even when he lives in a Slovak environment, does not give up his own language because he feels his "Czechhood" to be something of quality and valuable.

The qualitative difference we feel exists between our two nations is not connected with a less valuable nature of our national culture or with the lesser value of our national mentality, but with economic factors. We can speak of a complex of the "poorer cousin," but it is absurd to be ashamed and bow down before Czech culture, the Czech mentality, or Czech thinking. Our

value exists in the fact that we are different. It is in our interest, but also in that of the Czechs and the world, to protect this different nature and to develop it further in confrontation with the Czech, the French, or the English uniqueness. The extinction of another Slavic nation would be only a further impoverishment of the world's cultural heritage

Critical Comment on Organization of Slovak Newsmen

93CH0061A Bratislava SLOBODNY PIATOK in Slovak 23 Oct 92 p 3

[Commentary by Jozef Sitko: "The Limping Trojan Horse"]

[Text] More than once in the past. Slovak has turned on Slovak, even though it was in the interests of the community, the town, and Slovakia, to search for and to find acceptable solutions, compromises, and agreements. These somersaults of reason and conscience took place because there was little courage to speak and behave correctly and morally. There always occurred some kind of "watershed times and revolutionary moments" in which various unsuccessful careerists and irresponsible radicals found the chance of their lives for self-realization.

There is, however, always another historical watershed moment awaiting us Slovaks and citizens of Slovakia. which, by its political and social importance, is not only the beginning of our new opportunities but also of possible great losses. We journalists should also be well aware of this if we have in us any kind of responsibility, correct attitudes, or capability of thinking and, especially, acting in a deliberate and moral manner. It is essential mainly because we have not yet installed a fully stable democratic system that would guarantee that political or other entities would deal with each other as competitors, and not ever as enemies. So far, it is particularly various turncoats who are creating and propagating this image of an enemy, sometimes openly and at other times surreptitiously, regarding their competitors and those who hold different views. They single out a specific social group for this every timeeither their neighboring nation, those who believe in a different religion, or those who hold a different view of the world. They are supposedly the origin of all of the evils of society. This is at the same time the best way, other than demonstrations of the common strength and intimidation, by which one can divert attention from one's own unsavory past and one's own political and moral shortcomings.

But Slovakia's prosperity or lack of it depends on whether the top positions in society are gradually occupied by real experts, who work their way up to them (and are not appointed to them). After that overall description of the general climate that is having such a destructive effect on our lives and that we do not know how to get rid of even three years after November 1989, I want to

address our specific professional problem, the establishment of a competing organization of newspapermen under the title "Association of Slovak Newspapermen." In a democratic world, this would be a routine happening, which every newspaperman could accept without bias.

The bylaws and program the new association presents to the outside world do not at first glance bring anything new and in no way deviate from the framework of the program of the trade union Slovak Syndicate of Newspapermen, except for the demands for dividing up our common property. In my opinion, however, the entire affair substantially manifests something else. Despite the so-called dual membership, in reality it is supposed to divide the newspapermen's community into two groups—just at this watershed time for Slovakia, when we should be looking for common goals and acceptable solutions, compromises, and agreements. I therefore ask whether the Slovak newspapermen are being divided into competitors or into enemies. According to my information, it is rather into enemies.

Although I was there at the birth of this new organization (which at that time was named "For a Truthful Image of Slovakia"), it does not please me that, in comparison with today's moderate look, I then felt a great intolerance among the founders of that association for other views, an attempt to break up the syndicate as a professional trade union organization and an attempt to become the dominating force (or even power) in the Slovak mass media. I do not want to dispute with the members of the association as to whether it is a matter of another form of transplanting the political program forces, as was done to us by the enforced personnel actions of those implementing normalization after 1969 by the infamous "A Word to Those in Our Own Ranks." Such an impression was, however, given me by the official of the association who visied the official in the Ministry of Culture of the SR [Sloval Republic] and wanted to compel him to name who was to run the television, radio, and other media organizations. I do not consider something like this to be a manifestation of a true image but, rather, of an undemocratic one. And it is just some of these new appointments that underscore this undemocratic image. They do not create the image of a democratic state for Slovakia. I also do not get a good feeling from the names of some association members I read not long ago on the rosters of the StB [State Security], whom I know were particularly eager officials of the "beloved" party or its uncompromising propagandists in the press. Some of the figures who were appointed to the Council for Granting Television and Radio Concessions by the Slovak parliament also shocked me. Even RUDE PRAVO would have blushed upon reading their names. (From a speech at the Congress of the Slovak Syndicate of Newspapermen on 16 October 1992.)

In the end, it turned out that I had overrated the objective strength of the Association of Slovak Newspapermen. I had counted on the fact that, at the congress, there might be a lack of moral courage and stability of opinion on the part of the members of the Slovak Syndicate of Newspapermen serving as delegates. The possibility was not excluded that some colleagues would allow themselves to be enticed by the mirage of careers in diplomacy and management in television and radio. This did not happen. And so the force of the congress's Trojan horse acted among the delegates only like an explosion in a barrel of damp gunpowder As a legal entity, the association did not even get to the gates of the newspapermen's Troy. Even the "duplicates" (those holding membership in both organizations) got only a representation of approximately 15 in the syndicate council and did not get any leadership positions at all. This is essentially the bankruptcy of the former founders of For a Truthful Image of Slovakia, even within the framework of the new company. It would be interesting to see the list of members of the new association. Obviously, the "duplicates" number no more than 200, and, along with those holding membership in only that organization, there will be not more than 300. The facade of this critical status was not improved even by the official government guests led by the chairman of the NR SR (National Council of the Slovak Republic), who traveled to Nitra for the association's congress.

Originally. I myself also welcomed the birth of the movement For a Truthful Image of Slovakia. Right after it was organized, however, I did not agree with the use of militant methods in its activities. Later, it struck me that the membership itself could serve as some kind of calling card for gaining high state offices. It also had a negative effect on me when membership in For a Truthful Image of Slovakia became (with state support) a means for privileges for my colleagues, which was an agenda serving to divide the newspapermen (as in 1970) into good and bad Slovaks. But even the newspapermen had already learned a lesson (even from the so-called lessons from the crisis developments).

Why were the organizers of this good idea not successful? Why did they themselves finally give up and change their program, and also the name of their own initiative? Why did their train, pushed along by the power of the government, never get on the main track of the newspapermen? The organizers apparently forgot that this is 1992, and the old tactics and methods have outlived their usefulness. The greatest mistake they made, however, was when they started to make headlong attacks on the remainder of the newspapermen's community. This resulted in a backlash effect and their gradual isolation from the influential and uncompromised newspapermen. All of this does not bode well for the long-term future of the association's survival

The results of the congress of the Slovak Syndicate of Newspapermen showed that the so-called media-oriented policy of the government has suffered another defeat. A return to better relationships between the politicians and the journalists cannot be resolved administratively (this is not 1970), even with regard to outside the country, but only by proper behavior toward one another—with both the new leadership of the syndicate and the influential representatives of the Slovak mass media. I repeat the proposal I put forth to the government three months ago. It is in the interests of politics, journalism, and Slovakia.

Correction to Slovak Activist Related to Tiso Regime

93CH0057AC

The following correction pertains to the item headlined "Slovak Activist Related to Former Tiso Regime," published in the 20 November East Europe JPRS Report, page 5: Page 5, column two, first paragraph, first sentence, make read: ...against the SNP [Slovak National Uprising]. Among other things,...(correcting expansion of SNP)

Daily Comments on Civil Rights Charter

AU1811203792 Warsaw POLSKA ZBROJNA in Polish 16 Nov 92 pp 1-2

[Article by "jbg": "Charter of Rights and Liberties"]

[Text] "The rights and liberties of man derive from his inalienable and inviolable dignity"; "anyone may do anything that is not expressly forbidden by law"; and "all men are equal before the law." These three principles form the basis of the legal order in any democratic state, and they are also contained in the "Civil Rights and Liberties Charter" the president has placed before the Sejm for adoption. Adopting the charter would not only confirm natural civil liberties in Poland, but would also establish the limits of the will of the majority in the free society we are heading toward.

The "small constitution" is an important part of the new political order in Poland. Work on this document is almost complete. It is meant to improve the functioning of state bodies of authority by preserving a balance between them and establishing their powers. Until now, the setting out of civil liberties was postponed until the adoption of a complete new constitution, in the belief that a provisional state of affairs derived from the present Constitution could remain in force until then. Although the present Constitution has been amended several times, most of it stems from the 1950's, when the emphasis was laid on the citizens's duties toward the state rather than vice versa, and civil rights were largely theory.

Despite the changes that have taken place in Poland, the heritage of the past still weighs upon social life today. After an era when one could lose one's freedom without a court verdict, when some people were more equal than others before the law, and when authority meant not so much an apparatus of sanctions as an omnipotent elite of people beyond all control, it does not occur to many people today to refer to constitutional liberties. In addition, since the appearance of harsh, new free-market principles, many people have experienced a loss of social and economic security.

And, yet, free citizens form the basis of a law-governed state. It is the state that should serve the people, guaranteeing their rights and liberties, and not the other way around.

It is true that it will take many generations before we Poles know how to make proper use of democracy, but, sooner or later, we have to start learning. The president's draft "Civil Rights and Liberties Charter" permits us to start learning. It is an attempt to define the relationships between the individual and the state.

First, the charter underlines the inviolability of human life and personal liberty and security. "Everyone deprived of his freedom has the right to refer to a court to immediately establish the legality of this deprivation," it says. Corporal punishment is banned, and "everyone

is presumed innocent until his guilt is determined by means of a legal verdict." The charter also confirms freedom of conscience and thought. Freedom of association is guaranteed, as is a respect for and protection of private and family life. These liberties are applicable to anyone inside Poland at any given time—in other words, foreigners as well—but, in addition, Polish citizens "have the right to obtain information on the activities of the authorities and of persons holding public office." No one may be deprived of his Polish citizenship or deported from Poland.

The clause whereby "no one may face legal responsibility for an offense that was not prohibited at the moment it was committed" seems to be a partial reply to the decommunization aims of some political circles. In addition, the Charter confirms every Pole's right to participate "in the running of public affairs." The president would like the possibility of citizens to influence the life of the state to be even broader because the document not only gives everyone the right to present motions on his own behalf or on the behalf of others, but also gives him the right to propose legislation, provided he has at least 1,000 signatures in support. A citizen can even call a referendum, provided he can collect 500,000 signatures.

In the explanation to the Charter, it is admitted that Poland, a weak and poor country, is not in a position to guarantee its citizens the level of economic and social security they expect. Therefore, the document deals mainly with liberties rather than with guarantees. In fact, the Charter devotes a mere five brief articles to guarantees. It is written that "everyone has the right to education," but only "compulsory elementary education in publicly accessible schools is free of charge." Furthermore, "everyone has the freedom to choose his profession and place of employment" and has the right to "secure and hygienic working conditions," but this does not mean that the state guarantees him permanent employment. The freedom of economic activity mentioned in the Charter gives everyone the chance to improve his economic circumstances, but those who, for various reasons, are incapable of obtaining sufficient funds for subsistence can count only on material and medical assistance from the authorities.

It is no doubt because of the empty state coffers that the tasks of the state authorities are treated so superficially in the document. These tasks boil down to—and here I quote the relevant articles, most of them consisting of a single point—protecting employment, the family, one's marriage, health, the creative potential of the individual, the cultural heritage, and the environment. There is one clause among this that stands out from the rest: "An official is at the service of citizens," and "he has the right to refuse to carry out an instruction that conflicts with the law, and bears responsibility for carrying out or failing to carry out such an instruction."

Citizens may pursue their rights and liberties not only in the courts, but also before the Constitutional Tribunal and civic ombudsman. They can demand compensation or redress for harm they have suffered, and the "State Treasury or administrative district, together with an official or other person holding public office, are together responsible" for violations of rights and liberties.

It is the president's intention that the "Rights and Liberties Charter" assumes the highest status, which is why it has been publicized as a draft constitutional law. That would seem to be a satisfactory guarantee of the protection of civil rights and liberties against the parochial interests of any political group that happens to be in power at any given time. It would prevent any political party from giving its desires and interests the status of a law binding on the whole of society, and stop the natural liberties of citizens from being reduced to nothing but a set of declarations never implemented.

Malaysia Interested in Purchasing Helicopters

93EP0049A Warsaw RZECZPOSPOLITA (ECONOMY AND MARKET supplement) in Polish 10-11 Oct 92 p 2

[Article by Ms. P. and P. F.: "Malaysians in Swidnik: An Appetite for the Sokol"]

[Text] "We perused the plant's offer with great pleasure. I believe the visit by our businessmen will soon bear fruit in the form of contracts. The Sokol made a great impression on us, as did Polish hospitality. The proposals must still be considered and the optimal version selected to translate them into reality. It is too early to discuss details," said the head of Malaysia's trade delegation, Parliamentary Secretary Othman Abdul, following yesterday's visit to the Swidnik Transportation Equipment Plant.

Representatives of the Malaysian Parliament and the businessmen accompanying them are interested in Polish industry, particularly the railroad rolling stock and helicopters offered by the transportation equipment plants. They admit that they are influenced by the attractive prices of that equipment compared with the prices of analogous equipment produced in West Europe and East Asia. The visit to our country is intended to reconnoiter the market and establish contacts.

At the Swidnik plant, the Malaysians were most interested in its standard product, the Sokol helicopter, a midsized transport helicopter. The Swidnik plant manufactures four standard versions of the Sokol: the VIP version (the flying salon); the transport version; the medical-sanitary version; and the so-called Agro version—that is, one adapted to the needs of agriculture. It has a "defect" complicating its sale on the U.S. and West Europe markets: the lack of a certificate from the U.S. Federal Aviation Administration, which throughout the world is considered as the final certification of helicopters. After months of efforts supported by many hours of tests, the Swidnik plant expects to finally receive that certificate by the end of the year. The Sokol's price, \$2.5 million (as based on the WSK [Transportation Equipment Plant] Swidnik offer from the Paris salon, although the management has not officially confirmed it), is

attractive, considering that its design is not inferior to that of the leading helicopters such as Bell or Puma, and that, in itself, is often a good enough asset, especially in sales to poorer countries.

Since the beginning of its existence, WSK Swidnik has sold approximately 7,500 helicopters of the Mi-2, PZL-Kania, and newest Sokol types. Its customers include Venezuela, Nigeria, Burma (that contract led to a broad moral discussion), Algeria, Libya, and, above all—80 percent of output—the former republics of the USSR and the CEMA member countries. The plant's director, Mieczyslaw Majewski, would not name the parties with whom negotiations are currently under way, on the ground of trade secrets, though he did offer a reminder that highly advanced talks were held recently with Czecho-Slovakia, and that only the questionable unity of that country is preventing its authorities from translating the agreement into reality.

Waldemar Szajewski, deputy minister of industry and trade, who accompanied the Malaysian delegation, defined the meeting in Swidnik as a routine presentation of a Polish industrial offer and expressed the hope that it may produce effects in the form of contracts, which are so greatly needed by the aviation industry.

Another part of the Malaysian economic mission, headed by Deputy Prime Minister Ghafar Baba, paid a visit to the State Agency for Foreign Investments, where it received a concise briefing about the structure and objectives of that agency. The guests from Asia were particularly interested in forms of privatization, the procedure for purchasing privatized enterprises, the size of the dollar deposit required to establish a joint-stock company, the privileges extended to foreign investors, and the scope of the government's intervention into privatized companies. They asked about the existence of limitations on the privatization of the food sector. They were especially interested in the margarine-producing plants. Here the question arose whether investing in a single specialized sector might not lead to the accusation of monopoly. They also wanted, and were promised, a complete list of the plants that are to pass into private hands.

Reasons for Waning Trade With Eastern Neighbors

93EP0047C Warsaw POLITYKA-EKSPORT-IMPORT in Polish No 2, 17 Oct 92 pp 17, 19

[Article by Jerzy Kleer: "Hiccups of Freedom"]

[Text] Poland's trade with its eastern neighbors has collapsed. This is truly dramatic. Whereas in 1982, as much as 53.7 percent of Polish foreign trade was with the European countries of RWPG [CEMA], this figure fell to 40.6 percent in 1988 and to 13.9 percent in 1992 (after seven months of that year, that is). One has to keep in

mind that foreign trade is the only part of the Polish economy in which there has been any growth in recent years. This sudden crash has resulted not so much from the collapse of foreign trade in general, but from the systemic changes that have taken place in this part of the world. Today, after three years, one may ask these questions: Why has there been such a dramatic collapse of Poland's trade with its eastern neighbors? Is the worst behind us? What will be the future of the East European market?

It is hard to judge whether the decline of trade between Poland and the postcommunist countries of Eastern Europe will end in 1992. In the process of Eastern Europe's transition to a market economy, this phenomenon would have occurred anyway, whether trade in hard currency was introduced at the beginning of 1990 or later. The decrease of oil production and exports in the former USSR have not been decisive factors here, either. Neither was the unification of Germany, which has eliminated what was East Germany from trade relations between postcommunist countries.

To be sure, these are significant phenomena, which have deepened the trade crisis. Had it not not been for them, the collapse of the Eastern markets would not have been so complete. One can assume that, without these factors, the share of Poland's trade with its eastern neighbors would have fallen to 20-25 percent of its total foreign trade instead of to 14 percent. Given the boom in Polish exports over the past few years, its economic output would not have fallen so drastically, and the recession would have been less painful.

Main Culprit

Who is the main culprit responsible for the collapse of Poland's trade with its East European neighbors? Paradoxically, it is the reform of the Polish economy that has correctly led to the collapse of the old system of central planning in Poland. As is known, many enterprises exported their products to the Eastern markets under duress, despite the fact that they had potential customers in the West. Otherwise, it would be difficult to explain the Polish export boom in 1990.

Let us recall data for 1990. Poland's exports in general rose by 13.7 percent (in permanent prices), while exports to the so-called second currency zone [the West] rose by more than 40 percent. Two phenomena took place at that time—a geographical reorientation of exports and their simultaneous revitalization. When foreign trade was freed of numerous limitations and prohibitions, it began thriving. Thus, the liberalization of foreign trade has passed the test with flying colors, although not in every case.

The breakdown of links is often mentioned as one of the reasons for the collapse of the East European market. When bringing this up, one has to remember two things. First, the transformation to a market economy is accompanied by a fast change in the structure of demand—merchandise that used to sell very well is no longer in

demand. That was the case with the heavy machinery and the armament industries. With the collapse of the Warsaw Pact and the socialist model of industrialization, the demand for their products has decreased drastically. Second, the independent enterprises have launched sales policies that are different from those dictated by their governments. The manufacture's preferences have changed: They have become more and more profit-oriented.

In addition, the particular companies as well as the entire states have choked on their newly acquired freedom. The price system that existed in CEMA made every side feel it was being exploited. When an opportunity to break the old ties appeared, they were severed sooner than a cold calculation would dictate. Both the governments and the enterprises have shown an aversion to conducting intensive trade with the East.

Crooked Triangle

It is no coincidence that trade between the parties of the Visehrad Triangle has declined so drastically, political declarations to the contrary notwithstanding. Poland's trade with Hungary constituted approximately 3 percent of its foreign trade in the second half of the 1980's. In 1991, Poland's exports to that country fell to 0.7 percent, while imports declined to 0.9 percent. The decline in trade between Poland and Czechoslovakia has not been that drastic, but, still, it has been cut almost in half. Those countries assumed that it would be easier to breach the gap between them and Western Europe independently, without strong ties to the old partners. Poland is not without guilt, either. But this is probably the cost those countries had to pay to cut the unwanted ties and an artificially devised division of labor within CEMA.

A copycat effect has taken place, as well. Those countries were apparently convinced that, having switched to trade based on hard currency and world prices, they would be able to buy better, cheaper, and more modern products in the world markets, while actually spending less money within the confines of CEMA. The liberalization of foreign trade, especially for imports of consumer goods, made the East European companies turn westward, where they could quickly buy products that might not have been better but were slicker, flashier, and more fashionable—that is, goods the customers of socialist shops always dreamed of. This is how the avalanche started.

The collapse of Poland's trade with Eastern Europe is a fact. However, the degree to which it has happened in bilateral relations, as well as the reasons for it, are different in each particular case.

Interestingly, there is no correlation between the pace of Eastern Europe's transformation to a market economy and the decrease of trade between particular countries. Neither is there a connection between that decrease and the scope of recession in countries under discussion. The causes and effects are much more complex here. Several factors have contributed to this situation, including the

scope of market reforms, the enterprise's independence, the degree of foreign trade liberalization, limited hard-currency reserves, whether barter trade has been allowed in particular cases, and, finally, the attitudes of political and economic elites. It is difficult to say which of these factors has been the most important.

Few Hypotheses

Has Poland's trade with the countries of postsocialist Europe reached the bottom yet? The answer is extremely difficult. One can only come up with a few hypotheses. The countries under discussion differ in their progress toward market economy, as well as in the degree of their political and economic stability. Because those differences are considerable, there cannot be one, simple answer.

Simplifying the picture, one can divide the postsocialist states of Eastern Europe into three groups. The first includes Hungary and Czechoslovakia. The volume of Poland's trade with them has hit bottom. If anything, one can expect that trade in this case will stabilize at the current level or even bounce back. However, the results of the eventual division of Czechoslovakia are unknown. It may lead to either an increase or a decrease in Poland's trade with that country. When the division takes place, the trade ties between the Czech lands and Slovakia may become looser. It also may turn out that one or both parts of the new entity will redirect their foreign trade toward Poland.

The second group consists of Bulgaria and Romania. In these countries, the market transformations are still in a nascent stage, while their production will decrease further. One can expect that they will still be in a recession next year. In addition, their political stabilization is still a matter for the future. Therefore, I would not expect that their trade with Poland will increase. It would be a success if the decline of that trade stabilized at some level.

Even more dramatic is the state of Poland's trade with the countries of the former Yugoslavia and the Confederation of Independent States. It is easy to predict that Poland's trade with the countries of the former Yugoslavia will fall drastically. The same will probably happen as far as Poland's trade with the post USSR republics is concerned. The process of developing independent economic entities there is intertwined, at least temporarily, with the economic depression. One cannot see the light in the tunnel in this case. Furthermore, manifold organizational, infrastructural, and financial difficulties are on the way to increasing Poland's trade with those countries. All in all, one can assume that Poland's trade with countries of postcommunist Eastern Europe has not hit the bottom yet.

There is no doubt that Poland should make more of an effort to return to the "abandoned Eastern market." Although the West European market is a priority for the Polish economy, this does not mean that opportunities offered by the East should be neglected. It is difficult,

and it will take years to adjust the standards of the Polish economy to those of the West European markets. At the same time, sharp competition is already taking place with regard to the East European markets because any reasonable businessman wants to have a backup and thinks about the future.

It is difficult to predict what will be the participation of the former CEMA countries in Polish foreign trade after the year 2000. It would be satisfying if approximately 14 percent of Poland's foreign trade were with the countries under discussion. To accomplish this by the end of the decade is difficult but feasible. To be sure, no one is talking about returning to the old structures and ambiguous ties. It has to be free-market trade. The government should support that trade in spite of all the problems the postcommunist countries are facing, especially those in the Commonwealth of Independent States. State and privately owned companies should both receive that help. They are waiting for a set of guarantees for companies doing business in the high-risk areas, for tax breaks, for the simplification of barter trade, and, finally, for Poland's participation in building the market infrastructure in at least some of the former CEMA countries. Our "return to the East" may be impossible without these measures. As of now, it seems that the hiccups of freedom, as understandable as they may be, are costing us dearly.

Ineffective Utilization of Foreign Credits Noted

93EP0048A Warsaw GAZETA PRZEMYSLOWA I HANDLOWA in Polish No 42, 21-25 Oct 92 pp 1, 7

[Article by (dar): "Foreign Credits: They Are Supposedly Available, but They Do Not Seem To Be"]

[Text] In theory, Polish entrepreneurs should have no problem in obtaining foreign credits, but, in practice, only a few have succeeded in availing themselves of this form of investment financing. In theory, we have gained access to big money; in practice, its lack renders it impossible for an overwhelming majority of investors to purchase new technologies, machinery, equipment, and raw materials, and to finance production for export. On the one hand, there are the many words of praise addressed by the recent mission of the International Monetary Fund to our government and to the changes in our economy, and, on the other, candidates for credit borrowers are encountering tall obstacles because Poland is invariably ranked by Western bankers as one of the countries with the highest investment risk.

Is it because such significant disproportions between the supply of foreign credits and their effective utilization are due to—as is most often argued—the inability of our economy to utilize them properly, and because potential borrowers themselves display an astonishing lack of ability when preparing credit applications? Certainly these reasons matter, although they cannot be the sole reasons

Declarations

The first credit declarations, whether from governments (14) or from international financial institutions, were proffered as far back as 1989, when the first agreements also were signed. It is estimated that the aggregate declared value of credits for Poland is about \$8.5 billion, according to Zbigniew Kopyra, director of the Bureau for Qualifying Credit Requests at the Central Planning Office. Agreements concluded with the biggest credit providers—the World Bank, governments, and financial institutions—served to provide credits worth about \$5.5 billion. That was barely more than 60 percent of the declared total. Some of these agreements have expired or ceased to apply for other reasons, and that is why the aggregate amount of available credits at present is \$4.9 billion. So far, agreements have been signed—and only now is this tantamount to the actual granting of creditsfor a total of \$1.7 billion in credits, of which \$540 million has been effectively utilized, \$300 million of it from PHARE [Economic Reconstruction Aid for Poland and Hungary] funds. German banks, the second-largest credit provider, declared 2.2 billion German makrs [DM] for Poland's purchases of investment goods. However, prior acceptance by nonbank institutions has been obtained for only DM1.152 billion, and the banks accepted for realization credits totaling DM199 million. while effective payments have altogether been below DM43 million.

Some of the countries that had granted their credits have often made them contingent on a specific purpose or destination. Thus, for example, the French specified that they can lend 900 million francs, but only for the support of Polish-French joint venture. Hence, despite the attractive terms—4.5 percent interest—not too many requests for this kind of assistance have been recorded.

Credits Available to Polish Investors

In addition to the credit lines opened by international institutions such as the World Bank, the European Bank for Reconstruction and Development [EBRD], and the European Investment Bank, or guaranteed by Hermes. an insurance institution, there has arisen the possibility of utilizing a group of credits negotiated without the participation of the Polish Treasury and granted directly by foreign banks. They are of a preferential nature, and their interest rates are low, along with a long repayment period and waiting period. However, the terms on which they are granted markedly limit the eligible number of recipients in terms of nature of investment or nature of investor. They include: Trade Credit Insurance Program (financing of imports of goods and services from the United States by the Polish private and state sectors); the Danish Investment Fund for Central and East Europe (sponsorship of Danish investments in this part of Europe); a French Government loan designed to promote Polish-French joint ventures (among other things, to finance purchases of goods and services of French origin by joint ventures); a credit line of Societe Generale (financing 85 percent of the value of contracts for

purchases of French-produced industrial machinery and equipment); and a credit line of Instituto Mobiliare Italiano (the financing of 85 percent of the value of the contracts of small and medium Polish and Italian businesses for products of Italian agricultural, electrical machinery, chemical, and pharmaceutical industries).

Thus, these credits, despite their preferential terms, concern chiefly investment exports from the countries granting them (Spain, Italy, the United States) or a particular group of recipients (France). That accounts for the relatively low extent of their utilization. Only the World Bank, the EBRD, and the European Investment Bank grant credits on the basis of bids, by selecting the most attractive bidder, although this prolongs banking procedures.

World Bank Credits

The World Bank has granted Poland loans totaling \$2.5 billion (with \$400 million utilized), inclusive of the recently declared \$300 million for developing rural infrastructure. The purpose of these credits is to finance export projects intended to recreate or expand export capacities of enterprises in various industrial or agricultural and food-processing subsectors. Any enterprise, whether state or private, can apply for them, provided it is creditworthy and capable of servicing its debt, and offers a plan for financing its project.

Purpose

- Purchases of licenses, machinery, construction and installation equipment, and industrial structural elements.
- Engineering, economic, and marketing assessment studies of investment projects.
- -Training, consultant services.

Criteria

The project implementation cycle may not exceed three years, and the net hard currency income derived in the first four years must equal the cost of the project in hard currencies; the financial and economic recoupment rate must exceed 18 percent a year; and the project may not adversely affect the environment and the safety of labor. In the case of agricultural credits, the share of the enterprise's own capital in funding the project must be at least 10 percent, and, in the case of credits for industrial restructuring, at least 50 percent of the value of machinery and equipment. Purchases exceeding \$500,000 may be made solely on the basis of international bidding. In the case of agricultural credits, this rule applies to upward of \$200,000 in purchases. Purchases below these limits require accepting bids from at least three offers from two countries. In no case may the credits be transferred to a country [as published].

Terms

The credits are granted in U.S. dollars or German marks [DM] for periods to be individually determined but not longer than 12 years. They bear an interest rate according to the market rate as determined for half a year on the basis of the LIBOR [London Interbank Offered Rate] rate for dollars and the FIBOR [Frankfurt Interbank Offered Rate] rate for DM. The average interest rate is 7-8 percent plus 0.5 percent for servicing by a Western bank and 1.5-2.5 percent for the Polish bank undertaking to service the loan.

Requirements

Any enterprise or institution applying for credits should submit a credit application to a selected participating bank. The bank rates the enterprise and its investment proposal from the standpoint of marketing and technical, financial, and economic aspects. In the case of requests for loans of more than \$4 million, the borrower is obligated to present a detailed annual financial report and to provide any information concerning credits for the project.

All World Bank credits require loan guarantees from the Polish Government. The World Bank participates in the cofinancing of projects by the European Investment Bank and the EBRD concerning such purposes as the restructuring of state and private enterprises, banks, and financial institutions; environmental protection; energy generation and consumption; and the modernization of thermal power enterprises. Pertinent information on World Bank credits is provided by the Office for Cooperation with the World Bank at the NBP [National Bank of Poland], ul. Swietokrzyska 11/21, Warsaw.

Priorities

Once international financial institutions and the governments of 15 or so countries began to issue declaration of willingness to aid in the form of credits for restructuring the economy, the problem of an effective utilization of the offered aid arose. It was then that the so-called concept of working out an economic policy appeared, along with the concept of sector programs. These concepts were to provide the basis for, on the one hand, developing assumptions of that policy and, on the other, adapting it to the sectors requiring priority in modernization or restructuring.

The decisions so far regarding the scope of the government's influence on the directions of utilization of credits for investment projects (World Bank, European Investment Bank, EBRD, and government-guaranteed credits) indicate that the list of investment priorities was compiled on the basis of:

- The existing identification of the needs for modernizing the economy.
- Preferences of potential foreign credit providers.
- Experience gained in utilizing foreign credits in the 1970's.

Four priority domains have been identified. According to data of the Central Planning Office, they are:

- 1. Proexport projects, regardless of the sector or branch of the economy represented or the mode of ownership. The basic criterion for determining whether a project will stimulate exports is the ratio of anticipated net income in foreign exchange to the cost of investment in foreign exchange. Income earned in the first four years of operation must be at least equal to the foreign-exchange cost of the investment project.
- 2. Infrastructural projects affecting the intensity of international contacts, including:
- —Telecommunications and postal services.
- -Banking and financial services.
- —Airports and seaports.
- —Road and ferry border crossings, and also packaging, quality control, merchandise markings, and the broader use of norms.
- 3. Petrochemical and gas-processing projects due to the need to modernize existing productive capacity and accelerate its expansion.
- 4. Modernization projects under government-sector programs, chiefly related to reducing materials- and energy-intensiveness in such domains as:
- —The fuel and energy sector.
- -The iron and steel industry.
- -The cement industry
- -The chemical industry.
- -The shipyard industry.
- Railroading (railroad network, facilities, and equipment manufacturing).

The above list of priorities may apply, according to Director Zbigniew Kopyra of the Bureau for Qualifying Credit Applications, if the Polish investor applies to government institutions for official support in the form of NBP or budget loan guarantees, or when foreign credit providers ask for a decision on whether a given project is accommodated within the government-preferred directions of economic development.

Procedures

Government loan guarantees for foreign credits linked to the implementation of investment projects are provided for both individual projects and selected investment programs financed chiefly by international organizations, especially by the World Bank, the European Investment Bank, and the EBRD.

Any investment project for which a loan guarantee is to be extended requires prior submission of:

1. An investment proposal. Any Polish investor, after selecting a foreign supplier and particular technologies and equipment and determining the terms on which the credits are to be granted, should submit a project feasibility study based on a standard international procedure.

That study, together with the credit application and other required documents (statement of financial status, information about collateral or sureties), should be presented to the Polish bank that undertakes to service the credits.

- 2. Microeconomic analysis. A preliminary analysis, based on the proposal presented by the investor, is performed by the Polish bank undertaking to provide the financial-foreign exchange servicing of the investment project. That analysis serves to formulate a preliminary microeconomic opinion, decide the degree of risk involved in implementing the project, and determine the need for obtaining a second guarantee from another bank, additional comakers, or state loan guarantees covering the entire project or its part.
- 3. Macroeconomic analysis. This is handled by the Commission for Qualifying Credit Applications from the standpoint of consonance between the investment project and the government's priorities regarding economic restructuring. The criterion for evaluation is the "List of Priority Domains of the Economy." The credit application is analyzed on the basis of:
- —The information shown on the "Identification Card of the Application for a Government Loan Guarantee or Opinion Concerning the Project To Be Implemented With the Participation of Foreign Credits."
- —An abridged feasibility study, verified and evaluated by the bank.
- —The opinion of the Ministry for Foreign Economic Relations or a corresponding foreign trade enterprise concerning the possibility of export sales of the anticipated quantities of products to be manufactured as a result of the implementation of the investment project.
- —The opinion of the parent agency on the proposed investment project, if a state enterprise is concerned.

The above procedure does not apply unless the foreign credit provider or the Polish investor requests an opinion on consonance between the investment project and the preferred directions of change in the Polish economy. In cases in which the investor's own collateral or sureties, or the loan guarantees of a Polish commercial bank, suffice, no macroeconomic recommendation is required, either.

In Poland, the bank procedure takes three to six months, a macroeconomic opinion two to three weeks, and a government decision on granting a loan guarantee one to two weeks. Thus, it takes the government less time to process a credit application than the bank because the application is at the same time investigated by a Western bank.

Low Absorption of Credits

The supply of foreign credits is inversely proportional to the degree of their utilization. This happened for many

reasons. Such a low absorption is also due, as ensues from discussion at a seminar organized by the Polish Bank for Development and the Center for Socioeconomic Analyses, to the time-consuming procedures for granting credits (for this reason, the Export Development Bank abandoned its attempt to fund comprehensive computerization), the unpreparedness of enterprises for collecting credits, the lack of required counterpart Polish capital, and inadequately prepared credit applications. Other reasons named include the unprofitability of investment projects, considering that every uncompleted project is a major obstacle to privatization, and the decrease in the maximum value of the credits that can be granted by Polish banks owing to the devaluation of the zloty. Thus, to paraphrase the final recommendations, low credit absorption is determined by the conditions of the Polish economy, the lack of stable operating conditions for Polish enterprises, the difficult processing procedures, some of which are unfamiliar in this country, and factors relating to the rules for granting credits—for example, World Bank rules. Not without importance is the fact that information on credits and the procedures for obtaining them remains inadequate. The fact that the Polish banks mediating in credit servicing tend to shift the risk of fluctuations in currency rates of exchange onto credit recipients has also influenced decisions to utilize credits.

Conclusions

Bearing in mind Poland's current economic situation and the assistance that can be afforded in the process of emerging from the recession, by a more complete utilization of foreign credits, Polish investors have already often presented their recommendations to the highest echelons of the government. Of the many such recommendations, the principal ones are those that point to the urgent need to renegotiate certain credit declarations and loan terms, with the object of assuring greater flexibility of credit utilization; consolidating a system of bank loan guarantees; streamlining banking procedures; and establishing institutions for insuring financial transactions.

The lack of a rapid response may cause Polish investment candidates to continue saying that foreign credits are available when, in reality, they are not.

Program Concerning Tax, Budget Forecast for 1993

93EP0049C Warsaw GAZETA PRZEMYSLOWA I HANDLOWA in Polish No 42, 21-25 Oct 92 p 1

[Article by TAS: "Assumptions of Socioeconomic Policy for 1993; Lower Consumption, Higher Investments"]

[Text] The assumptions of socioeconomic policy for 1993 presented by the government are subordinated to three basic goals:

 Orienting government policy toward the growth of the private sector in the economy, supporting private

- enterprise and privatization, and assuring favorable conditions for foreign investors.
- —Stimulating the economy by protecting the demand for domestic products and creating the conditions for cheaper credit.
- -Protecting the stability of the currency by strengthening public finance and restricting inflation.

Doubling the national income within 10 years requires reducing personal and public consumption for at least the first five years of that period. Reviving investment activity requires allocating more funds for investing, which in its turn requires limiting the funds for consumption. In practice, the increase in the GDP [gross domestic product] should be twice as high as the increase in real wages, which requires wage controls. Thus, a prerequisite for wage increases will be earning the funds for expansion at discrete enterprises and on the scale of the economy as a whole. The government is predicting that protection against inflation will be confined to basic social services, which are to be augmented in measure with the growth of the economy.

Money Policy

In envisaging the printing of money at a level not causing a growth in inflation, the government is aware that the domestic market will be broadened next year by enterprise debts and stock and shares in privatized enterprises, which will make it impossible to maintain the money supply at the 1992 level. The demand of enterprises for funds will also increase upon the introduction of the value-added tax. The government does not intend to propose a tax on income from bank accounts, which will stimulate credits and savings. Under the assumptions, bank loan policies should be regulated not by raising interest rates and tightening loan guarantee requirements but through competition among credit applicants so that the best projects may win. The current terms for granting domestic credits are not conducive to obtaining foreign credits, and, thus, a system of loan guarantees and sureties reducing the risks to the banks. and, hence, reducing the cost of obtaining credits, has to be introduced.

To bring about the introduction of the above systems, the government envisages focusing their effects on exports and export-promoting modernization investments, as well as, with regard to agriculture and housing construction, on restructuring investments with a short implementation cycle.

Budget Policy

The government assumes that the 1993 deficit, measured in relation to the GDP, will be no greater than it is this year. The design of the budget is to be based on slightly increasing the share of its receipts in the GDP, which will serve to avoid a significant decrease in demand. The procedure for granting subsidies will be verified on the assumption that their aggregate amount may not exceed

the actual size of subsidies this year. The procedure for financing so-called central investments initiated in the past will likewise be verified, while, at the same time, suspending the commencement of new budget-supported investments. Appropriations for developing the financial infrastructure, enabling the state to support investment initiatives, will be increased. The government also envisages drafting and introducing rules for the participation of the budget in investments serving to restructure the economy. It is not unlikely that some funds will be appropriated for projects with a rapid payoff time that alleviate significant social and economic problems, such as the expansion of border crossings, the sponsorship of local programs for job creation in regions threatened by unemployment, or outlays on investments resulting in energy conservation at budget units. In addition, the government has announced that it will introduce regulations defining the rules for bidding for shipments and projects funded with the participation of public finance.

Tax Policy

In 1993, this policy will be affected by the introduction of the value-added tax, the application of a system for modifying the tax on wage increases as proposed in the Pact on the State Enterprise, the monitoring of the tax rebates and temporary exemptions granted in preceding years, and the abolition of the mandatory dividend and fee for using state-owned assets at single-person Treasury companies. At state enterprises, the last-named obligations would be regulated by means of profit deductions to the Treasury, proportional to the sum total of wage payments and bonuses from profits, along with deductions for social services. The government is considering the possibility of having this system operate with a three-month time lag, which will enable enterprises with tax obligations to avail themselves of this solution.

The personal income tax will be based on the principle of exempting from this tax any purchases of stock or shares in privatized enterprises, up to the ceiling of four times the purchaser's monthly wage. The government envisages tax rebates for enterprises operating in regions threatened by structural uner ployment. Preferences in the tax system for scientific research will likewise be retained.

Prices and Incomes Policy

In creating the conditions for suppressing inflation, the government envisages only gradual increases in controlled prices. The reappraisal of the value of fixed assets so as to increase it by an average of 38 percent, although a proinflationary measure, will enable enterprises to obtain funds for investments. The government intends to maintain the real value of the household demand, which requires making a number of decisions, such as guaranteeing a stable real minimum wage and maintaining at its current level the tax on the wage increases debited to operating expenses. Reducing the basic revaluation of retirement pensions and annuities to 91 percent of average wage (with the exception of the minimum

payments) is due to the limited possibilities of the state budget. Changes in the personal income tax so as to cause a more equitable participation of social groups in shouldering the burden of economic restructuring are to consist in establishing an additional 50-percent income tax rate threshold, refraining from the revaluation of the thresholds of the tax scale, and cumulatively crediting advance tax payments over the year. This is to assure that payments to the budget will be proportional to incomes and counteract a cumulative increase in the burden on taxpayers at the end of the fiscal year.

Status, Statistics on Privatization Progress Noted 93EP0047A Warsaw GAZETA PRZEMYSLOWA I HANDLOWA in Polish No 40, 4-14 Oct 92 p 3

[Article by a.m.:"Negative Tendencies Strengthened"]

[Text] The number of enterprises marked for privatization is decreasing, which is quite unfavorable for both the budget and the very process of ownership transformation. This has been confirmed by data collected and analyzed by the GUS [Central Office of Statistics] Department of Mass Studies. The study has covered 1,714 state enterprises, of which 464 were privatized by capital takeover, while the remaining 1,250 were privatized through liquidation in the period 1 August 1990-30 June 1992.

Let us recall that privatization through liquidation means that a state enterprise is put up for liquidation, and its property is either sold or leased for a certain period or becomes a share in a company. The legal basis of enterprise liquidation is the 13 July 1990 law on privatization of state enterprises, as well as the 25 September 25 1981 law on state enterprises. In turn, privatization through capital takeover means that a state enterprise is first commercialized—that is, transformed into a single treasury company—and then privatized through the sale of its shares or stock.

In the first half of 1992, 456 economic entities were marked for privatization, composing 26.6 percent of all state enterprises being privatized. In the second quarter of this year, there were 46 percent less enterprises than in the first quarter. The number of enterprises slaned for both types of privatization has decreased. Four times less enterprises were commercialized in the second quarter than in the first. Despite the fact that capital takeover privatization can take place now through the sale of single treasury companies to individuals, only 42 out of 156 commercialized enterprises have been marked for sale to individuals, whereas 114 have been slanted for communal privatization.

The sale of single treasury companies has been slow. Only three such companies were sold in the first and second quarters of this year. At the same time, 300 state enterprises were put up for liquidation. Fifty-eight percent of these will be liquidated because of their bad financial condition—in accordance with Article 19 of 25 September 1991. As a result of privatization through

liquidation, 151 entities have been crossed off the state enterprise register—that is, 43 percent of all that have been liquidated.

As many as 401 enterprises and factories were fully privatized through liquidation (in that their assets have been sold or transferred), but they were not crossed off the register yet. Seven hundred thirty-seven firms are in the process of having their assets sold, transferred to stock companies, or leased. Leasing is most popular. Private companies owned mostly by employees of the liquidated enterprises have taken over as much as 81 percent of the market value of those enterprises (through five to 10 year leases). Since privatization began, 374 companies of this type have been established. The treasury owns shares in only 34 of them. In those cases, the enterprises' assets were contributed to the companies in the form of assets in kind.

The market value of enterprises put up for liquidation in the first half of this year has been estimated at 4,662 billion zlotys [Z].

Industrial enterprises and construction companies are privatized most often. The former constituted 83 percent of enterprises privatized through the capital takeover, and the latter 13 percent. The single treasury companies, composed of industrial enterprises or construction companies, are being sold as well. As it turned out, construction companies are in the worst financial shape among enterprises put up for liquidation (29 percent), followed by industrial enterprises (27 percent).

While privatization is taking place in the whole country, it is intensive in the most industrialized voivodships, such as Katowice (140 privatized enterprises). Warsaw (121), Lodz (87), and Wroclaw (75). Among enterprises analyzed by the statisticians, only the treasury companies slated for communal privatization show a good economic condition. They are characterized by having positive net financial results, the highest index of profitability, and the profit of Z22-29 per Z1,000 of gross proceeds, compared with the average of - Z9 for other types of enterprises.

The economic situation in the enterprises put up for liquidation is worsening further, especially in the enterprises liquidated in accordance with the 25 September 1981 law. The deficit in these enterprises has risen from - 29-31 percent in the second quarter of the year. At the same time, their profitability has fallen to - Z551, which means that, for every Z1,000 of gross proceeds, the enterprises have to pay Z1,551 worth of taxes and dividends. This leads to the strengthening of negative tendencies; the liquidated enterprises, instead of being profitable, are treated as nonprofitable and sold very cheaply. This also means that privatization is often postponed until the last moment, and the enterprise is liquidated at the verge of its collapse. Perhaps the proposed pact for enterprises and the simultaneous debt reduction of state enterprises will alter this negative tendency.

Statistics on Industrial Improvement Presented

93EP0050C Warsaw RZECZPOSPOLITA (ECONOMY AND MARKET supplement) in Polish 15 Oct 92 p I

[Article by A.K.K.: "The Economy After the Third Quarter; Industry Is Better Off Than a Year Ago"]

[Text] According to preliminary reports of the GUS [Main Statistical Administration], over the first three quarters of this year, output at industrial enterprises employing more than five persons each has been minimally higher—0.6 percent—than in a like period last year. In September alone, the results, as measured in actual number of hours worked, proved to be 13.1 percent higher. Compared with the mean monthly output in 1990, output was 9.1 percent lower. The decline in output halted. In August, compared with July, it was 2.2 percent lower, whereas in September it was 8.5 percent higher than in August.

The best performance was scored by the processing industry. Over the first three quarters, its output was 0.7 percent greater than in a like period last year, and, in September, 13.8 percent greater. The extractive industry performed 0.6 percent less well over the nine months, but in September its output was 5.5 percent higher. As in the processing industry, so in the extractive industry the performance in August was worse than in July (1.6-percent decline), but, in September, it was better (by 8.1 percent) than in August.

At the construction and installation enterprises employing more than five persons each, performance over the nine months was better than in industry. In terms of value of output, these enterprises surpassed last year's results by 3.1 percent, and, in the last month of the third quarter, their output was 4.0 percent higher. August was somewhat better than July (output increased by 0.4 percent), and September was 7.9 percent better than August. At the end of September, employment in the six principal branches of the economy totaled 5,525,100. Compared with a like period last year, employment was 6.5 percent lower, and, compared with August, 0.5 percent lower.

In September, the average monthly wage in the six principal branches of the economy was 3,125,200 zlotys [Z] or, without profit-sharing, Z3,110,100. That was 5 percent higher than in August (or 5.6 percent higher after deducting profit-sharing). The afterage monthly wage in five principal branches of the fational economy, inclusive of the personal income tax (without profit-sharing) in September 1992 was Z3,103,573.

The increase in the prices of consumer goods and services in September, compared with August, was 5.3 percent. In the third quarter of 1992, compared with the second quarter, the prices of durable consumer goods increased by 6.1 percent. The average procurement price of rye in September 1992 was Z113,500 per quintal.

At the end of September, the number of persons registered at unemployment offices totaled 2,498,500—that is, 1.7 percent more than at the end of August and 26.8 percent more than a year ago. The unemployment rate was 13.8 percent, and, compared with the figures for the preceding month, it increased by 1.5 percent, or, compared with the figures of a year ago, by 27.1 percent.

Pharmaceutical Industry Near Bankruptcy

93EP0050B Warsaw RZECZPOSPOLITA (ECONOMY AND MARKET supplement) in Polish 15 Oct 92 p II

[Article by Krystyna Forowicz: "Pharmaceutical Industry in a Vise; Poles Prefer Foreign Medicines"]

[Text] "It is not true that industrial espionage is under way on the Polish pharmaceutical market. To be sure, an Italian computer company received permission to gather information on Polish drugs, but not on the principle of exclusivity," said Janina Manko, director of the Pharmaceutical Department at the Ministry of Health and Social Welfare. At a press conference on 14 October, the spokesperson for the ministry denied reports that certain kinds of insulin and antibiotics supposedly smuggled in from Yugoslavia appeared in Polish pharmacies. At the same time, she warned against buying drugs at street bazaars because these could be adulterated.

Pharmaceutical plants in Poland manufacture more than 2,000 drugs, of which Polfa Plants alone account for more than one-half. Polish drugs are at a good European level and, moreover, are only one-third or one-fourth as expensive as their Western counterparts. They meet 85 percent of the domestic demand. Nevertheless, the Polish pharmaceutical industry is facing bankruptcy: The demand for Polish-made drugs has fallen 70-80 percent.

No other country in the world has tolerated the importation of practically every foreign drug. In every Western country, domestic pharmaceuticals account for most sales, and imports never exceed 5 percent of overall domestic demand.

For a long time now, the paramount problem of the Polish pharmaceutical industry has been the lack of budget funds for purchasing drugs from producers, distributors, and importers. The debt is estimated at 1.08 trillion zlotys. A still unresolved issue is the declining profitability of the production of certain pharmaceuticals owing to their excessively low official prices; one-fourth of these consist of scarce drugs. Similarly, the government has not yet reimbursed the pharmaceutical industry for medicines exported under the intergovernmental agreement with the former USSR, which failed to offset this debt with shipments of natural gas.

The annual increases in pharmaceutical prices are causing production to become profitable for a short period of time, usually up to a level offsetting production costs, without assuring sufficient profits for capital reproduction and plant expansion and modernization.

The decline of the Polish pharmaceutical industry was also aggravated by tax decisions that failed to take into consideration that producers were not responsible for certain tax arrears, the charging of duties on foreign ingredients for the manufacture of domestic drugs, and the dut exemptions granted for drugs imported from EC countries, according to Wladyslaw Karas, the director of Polfa in Warsaw.

A majority of Polish drugs was produced in disregard of Western patents. That was possible because our patent law protected technologies, whereas Western patent law protected the therapeutic substance. It is feared that the complete patent protection of drugs that is going to be mandatory next year under the decisions of the treaty on industrial protection signed with the United States will mean curtains for the Polish pharmaceutical industry.

In the postwar period, we developed only three proprietary Polish drugs: Davercin, Ledacrin, and Binazine. Vratizoline, an antiviral preparation, will soon appear. But, in general, we cannot afford to develop our own original technologies. That is because developing a new drug requires conducting some 10,000 chemical syntheses, to be followed by prolonged tests of the biologically active substance on animals and humans. This normally takes 10 years and costs about \$200 million. All of the Polfa plants taken together have barely \$6 million to spend on research.

Prof. Grzegorz Grynkiewicz of the Pharmaceutical Institute informed RZECZPOSPOLITA that the R&D outlays of Western pharmaceutical companies account for approximately 10 percent of their receipts. One U.S. company, Merck, spent \$998 million on this purpose in 1991; another, Bristol Myers Squibb, spent \$993 million, followed by Pfizer with \$757 million, Eli Lilly with \$767 million, and Upjohn with \$491 million.

Increase in Coal Price Noted; Reasons Vary

93EP0050A Warsaw RZECZPOSPOLITA (ECONOMY AND MARKET supplement) in Polish 16 Oct 92 p 1

[Article by Anna Wielopolska: "Coal Mines Raise Prices; High Prices Scare Off Buyers"]

[Text] Black-coal mines are exploiting the onset of the fall. This can be seen on the market and the commodity exchanges. In October, commodity exchanges recorded a 10-15 percent jump in fuel prices (following several months of stable prices). The mines attribute this increase chiefly to the higher cost of extraction and, especially, to higher wages. The prices of top-quality coal on commodity exchanges have reached as much as I million zlotys [Z] per metric ton, and, on average they hover at Z850,000 per metric ton (for example, at the Silesian Commodity Exchange). To be sure, now and then coal can be found at lower prices when it is collected from mines in return for their debts, but few such bids are made at the exchanges.

Some mines have recently modified the terms of their sales, which became difficult for many buyers to accept at commodity exchanges. Specifically, they demand cash payments for purchases, whereas previously they had agreed to wait 14 days to be paid.

But the beginning of the cold season is ruled by its own laws, and, despite these complications, fuel sales at commodity exchanges at present are extensive. Exchanges that previously lacked interest in coal transactions have now seasonally joined in this trade. At the exchanges, it is particularly the best coal grades that are most in demand, with the demand for low grades such as coal breeze being low. This is where the owners of private fuel businesses, whose numbers are growing, obtain their supplies, as do industrial plants and companies acting as coal middlemen. As for electrothermal power plants, these as a rule buy directly from the mines.

Brokers claim that the mines engage in a shortsighted policy by jacking up coal prices. That is because Polish coal is very expensive (\$60-70 per metric ton) compared to foreign coal. It costs more than Colombian or South African coal, for example. It is said that the brokerage offices of British and French commodity exchanges had recently become interested in Polish coal but broke off negotiations in view of the prices demanded. Thus, there are only slight hopes that Polish coal will benefit from the planned shutdowns of more than one-half of British coal mines. At the Port of Rotterdam, an increase in coal shipments is being expected chiefly from South Africa and Australia.

Similarly, on the Polish market itself, there arises competition in the form of coal imported from CIS [Commonwealth of Independent States] countries. For example, K. Szydlowski's brokerage office at the Lublin Commodity Exchange now offers high-quality coal from Siberian mines at Z600,000-620,000 (approximately \$44) per metric ton, and Barexim in Warsaw offers Ukrainian coking coal at \$32 per ton.

The rise in the coal prices asked at the mines and commodity exchanges has, of course, been reflected in market prices, especially considering that all sorts of middlemen are involved. The exchanges charge commissions of 1.5-2 percent or, if the transactions are big, even less than 1 percent. As a result, retail prices of coal are 40-70 percent higher than directly at the mine. To counteract this, the Ministry of Finance issued regulations introducing maximum profit margins of 5 percent in wholesale sales of coal and 10 percent in retail sales. This should prevent the jacking up of prices by commercial middlemen.

The rise in demand for coal is not solving the problems of coal mines, which still extract more coal than they sell. Since last summer, nearly 7 million metric tons of coal have been lying unused in mine storage depots. Although the fuel purchasing season has begun, the storage depots remain full. The quantity of unsold coal this week is estimated at 6.8 million metric tons. Most of the coal is

sold to private consumers, with relatively little bought by municipal electrothermal power plants, enterprises, hospitals, and schools.

The reason for this reluctance to buy coal on a large scale is its rising prices. Potential users purchase only sufficient quantities of coal to last them for a month or two while waiting for a decrease in prices during the second half of the cold season. At the same time, the mines are jacking up their prices so as to replenish their coffers as rapidly as possible. But, given such low demand, which does not reflect the actual demand, receipts are much lower than expected by mine managers.

Unemployment Statistics for Regions, Age Groups 93EP0049B Warsaw RZECZPOSPOLITA (ECONOMY AND MARKET supplement) in Polish 10-11 Oct 92 p 2

[Article by A.K.: "For Every Job Vacancy, There Are 62 Unemployed; Most Often They Are Recent Vocational School Graduates"]

[Text] In September, the number of job seekers registered at employment offices increased by 41,400 and reached 2,495,500 toward the end of that month. According to GUS [Main Statistical Administration], that is equal to 13.8 percent of the able-bodied civilian population. A majority of these unemployed are young people between the ages of 18 and 24 years (34.3 percent), vocational school graduates (38.2 percent), and people who have remained jobless for more than a year (43.4 percent).

This statistical portrait of the job seeker also points to the most important aspects of unemployment, which have to be considered by the employment policy, as declared at last Friday's news conference by Michal Boni. The assumptions of that policy have already been drafted and transmitted to the Economic Committee of the Council of Ministers, so that they may provide a foundation for working out a program for the next five government priorities.

The project mentions three principal objectives of the employment policy: social protection, a more 2 tive struggle against unemployment, and the creation of new jobs. The ministry's own priorities include, for example, stimulating the labor market by resorting to active forms of combating unemployment. A prerequisite is, among other things, increasing the funds for that purpose to 15 percent [as published]. A broader range of programs and forms of action, addressed to different social groups or regions, has also been envisaged, along with strengthening institutional servicing of the labor market and changes in continuing education so as to adapt it to employment needs.

As stressed by Minister Boni, the unemployment statistics for the end of the third quarter also display certain positive aspects. In seven voivodships, a decline in unemployment has been recorded—for example, 2.7 percent less in Sieradz, 2.6 percent less in Czestochowa,

0.6 percent less in Zamosc, and slighter declines in the Lodz. Krosno, and Przemysl Voivodships. Over that period, the decline in unemployment totaled, according to GUS, 105,900—that is, 4.2 percent of the total number of registered job seekers. This is also due to the recently more energetic attempts of employment offices. Among the persons leaving the unemployment category, more than 63,000 found jobs, and 8,300 were assigned by employment offices to make-work projects and 6,500 to public-works projects. In addition, in September, employment offices assigned about 7,100 people to job training or retraining, and nearly as many were undergoing such training toward the end of the month. A total of 40,800 people were employed in temporary jobs.

In addition, statistics indicate that the highest growth rate of unemployment was recorded for the following voivodships: Bielsk, 6.1 percent; Warsaw, 5 percent; Poznan, 4.4 percent; and Radom, Szczecin, and Krakow. The lowest growth in unemployment occurred in the Jelenia Gora, Rzeszow, Lomza, Skierniewice, and Plock Voivodships.

The voivodships with the highest unemployment rates are, as in the previous months, Koszalin, 23.5 percent; Olsztyn, 23.4 percent; Suwalki, 23.3, percent; and Slupsk, Elblag, and Walbrzych, Similarly, the following voivodships continue to have the lowest unemployment rates: Warsaw, 5.8 percent; Poznan, 7.6 percent; Bielsk, 7.7 percent; and Katowice, Wroclaw, Krosno, and Chelm.

According to employment office records, 77.4 percent of the unemployed are people with previous work records. Of these, every third lost his or her job for reasons connected with the workplace. For the very near future, enterprises have announced further layoffs, which are to total more than 211,000 employees.

The number of job vacancies reported to employment offices was 51,000, and they were chiefly for blue-collar workers. The disabled were offered 765 job vacancies. Altogether, in September, for every job vacancy reported, there were 62 registered job seekers.

Good Prognosis for 1993 Inflation Rate

93EP0050D Warsaw RZECZPOSPOLITA (ECONOMY AND MARKET supplement) in Polish 15 Oct 92 p 1

[Article by K.J.: "Inflation To Slow Down"]

[Text] Inflation in 1993 is to be lower than that forecast for 1992.

In December 1993, compared with December 1992, the prices of consumer goods and services are to increase by slightly more than 28 percent, and the average annual rate is to increase by 38 percent.

For these assumptions to come true, the increase in wages and personal incomes must be controlled by the

personal income tax. The tax on wage increases has to be debited to operating expenses at public enterprises. In addition, it is necessary to reduce the scale of revaluation of retirement pensions and annuities and to freeze the appropriation for family allowances.

Inflation forecasts were received on Wednesday (14 October) by the Sejm's Economic Policy, Budget, and Finance Committee as a complement to "Socioeconomic Policy" for next year.

The following factors are to affect inflation in 1993:

Inflationary Factors

- -Increases in food prices since August 1992.
- —The reappraisal of the fixed assets of all enterprises according to a fixed schedule of rates. It is estimated that this reappraisal will account for some 1.5-2 added points to the overall inflation indicator reckoned as the ratio of December 1993 to December 1992.
- —The introduction of the value-added tax. Over the year, as a whole, this may account for a 3.3-point increase in inflation. If this tax is introduced not earlier than 1 July, its inflationary effect in 1993 would be about 1.7 points.
- —The increase in controlled prices, which will extend to energy carriers, housing services, radio and television subscription fees, certain medicines, and products subject to the excise tax. It is assumed that the increase in the prices of these products and services will be spread over time rather than occur in a leap all at once. Its share in the monthly inflation indicator would be about 0.9 percent. In terms of the ratio of December 1993 to December 1992, the combined effect of price decisions on inflation would be 11.4 points.

The principle of the fluid increase in currency rate of exchange. Price indicators were estimated on the basis of the principle that the exchange rate of hard currencies in 1993 will vary similarly as in this year (1.8-1.9 percent monthly). To be sure, the principle of the fluid increase in the currency rate of exchange will cause a one-time increase in costs in the economy, but its cumulative effect on the growth in the overall inflation indicator for 1993 will be 2.2 points.

Anti-Inflationary Factors

- -The desire to limit the budget deficit in 1993.
- —The introduction of loan guarantee and surety systems serving to reduce the risk to the banks and thereby also to reduce the cost of obtaining credits.
- —Gradual rather than sudden increases in controlled prices, and adherence to the principle of a creeping growth in currency exchange rate (this solution serves to reduce inflation by about 6 points).
- —The maintenance of the current extent of subsidies and the adoption of the principle that the overall amount of subsidies in real prices may not be greater than in 1992.
- —A cutback in the scale of revaluation of fees for environmental use by adopting the principle that revaluation will be based on the index of increase in the sales prices of industrial output (which is about 10 points lower than the index of increase in the prices of consumer goods and services).
- —Keeping the increase in wages and personal incomes under control by means of the personal income tax. continuing the debiting of the tax on wage increases to the operating expenses of public enterprises, reducing the scale of the revaluation of retirement pensions and annuities, and freezing the funds allocated for family allowances.

Government Reports to UN on War Crimes

93BA0211A Belgrade POLITIKA in Serbo-Croatian 6 Nov 92 p 4

[Article by M.M.: "Response of the Government of the Federal Republic of Yugoslavia to the Demand of the Security Council"]

[Text] The FRY [Federal Republic of Yugoslavia] Government yesterday delivered to the Commission of Experts of the United Nations in New York its report on "Cases of Violation of the Law of War and Humanitarian Law on the Territory of the Former Yugoslavia," thereby responding to the request made in Resolution No. 780 of the Security Council on 5 October of this year: the decision to initiate proceedings to establish accountability for war crimes and other disregard of the standard of international law on the territory of the former SFRY.

The government report, respecting the requirement of the resolution that the first findings be filed within 30 days, cites about 130 cases of mainly serious violations of humanitarian standards, and it was written by an interdisciplinary group of experts, whose work was coordinated by the Federal Ministry of Foreign Affairs. Thus, representatives of the Ministries of Justice, Defense, and Internal Affairs and the Ministry for Human Rights and Ethnic Minorities took part in compiling this preliminary file.

The report was prepared according to the methodology used in this field: Information given for each case includes a classification of the act, the place and time, brief description, identification of the perpetrator, evidence as well as remarks concerning possible additional documentation or particular circumstances relevant to each specific crime.

According to the types of violations of international standards contained in the provisions of humanitarian law, the report of the FRY Government assigns illegal acts committed in the conflicts on the territory of the former FRY to nine categories: 1) intentional killing of civilians, 2) intentional killing of arrestees and prisoners of war, 3) inhuman treatment of civilians, 4) inhuman treatment of arrestees and prisoners of war, 5) intentional killing and inhumane treatment of the wounded and sick, 6) the taking of hostages and creation of camps. 7) destruction of civilian targets which have no military purpose, 8) destruction of religious shrines, cemeteries, cultural and historical monuments, and 9) ethnic cleansing.

The government's report observed in this connection that inhumane killing of civilians, wounded, the sick, and arrestees has been a very frequent form of violation of international humanitarian law. As a rule, these acts (crimes) were committed in groups, less frequently individually. Those which stand out in their gravity are the massacres in Bjelovar ("a sizable number of members of regular military units imprisoned in the garrison there"),

Gospic, on the bridge over the Korana River in Karlovac, Borovo Selo, the Kupres Plateau, and elsewhere. It is also noted that the most recent information received about the common graves in the vicinity of Vukovar, referred to in his report by Tadeusz Mazowiecki, special human rights informant, "has yet to be verified" in order to establish whether this is a case of "systematic killing of civilians" as reprisal or out of similar motives, or casualties in the fighting there, which, as is well-known, was very heavy.

In filing its report, the government expressed to the Commission of Experts its readiness to cooperate fully in the further investigation to establish all the facts pertaining to violation of the Geneva Conventions and other provisions of the international law of war and humanitarian law. To that end, the government will also form a standing commission to continue the job that has been begun.

By way of documentation, copies were delivered to the Commission of Experts of the recently issued two-volume publication *Genocide nad Srhima* (Genocide Against the Serbs), along with video cassettes which the authorities of Serbia have prepared concerning crimes against the Serbian population.

Documentation will also be sent to New York on war crimes collected by the authorities of the Republic of Serbia, and similar reports to the Commission of Independent Experts, including five well-known lawyers, have already been sent by the Governments of Croatia and Bosnia-Hercegovina.

Lack of Mention of Crimes Against Serbs Deplored

93BA0201A Belgrade VOJSKA in Serbo-Croatian 5 Nov 92 pp 38-40

[Article by Dragoljub Jeknic: "Violence Being Done to the Truce"]

[Text] On 6 October, a commission was formed on the basis of Resolution 280 of the UN Security Council to investigate war crimes on the territory of the former Yugoslavia. The UN secretary general decided to make up the commission of five members and to base it in Geneva.

Several synchronized actions led up to that commission's formation: the 158-page Helsinki Watch report entitled "Crimes in Bosnia-Hercegovina [B-H]" with documents and data; the Thompson report; the report of Tadeusz Mazowiecki on violation of human rights in the former SFRY: and above all the report of the United States, or the so-called White Paper of the U.S. Government, entitled "The Former Yugoslavia: Serious Violations of the Fourth Geneva Convention." The United States submitted that report to the UN Security Council on 22 September of this year, referring to Resolution

771, in which the member states of the world organization are called upon to report on violations of humanitarian law in the former Yugoslavia.

Aside from alluding to Resolution 771 in the introduction, the authors of the report strive to apply the respective articles of the Fourth Geneva Convention, dated 12 August 1949, to all forms of violation of humanitarian law in the former Yugoslavia as "ethnic cleansing," "large-scale forcible expulsion and deportation of civilians," "arrest and mistreatment of civilians in prison camps," "wanton devastation and destruction of property," "deliberate killing," "torture or inhumane behavior," "depriving civilians or prisoners of war the right to a fair and proper trial," etc.

The introduction to this document, which is very little known to the public, states that the United States "obtained the information presented in that report from various sources, including testimony of eyewitnesses brought to the United States." To be sure, the report emphasizes: "Because newspaper reports are often unverified and often come down to rumors, the United States has described only those reports from the media in which the reporter confirms that he or she personally was the eyewitness of violation of international humanitarian law," which leaves open the question of the extent to which these subjective impressions are actually authentic, complete, and objective.

That would all be serious, very serious, if it were truly based on what is evidence, if behind the examples of violation of international humanitarian law there stood what is the documented, verified, and proven fact, not a truth which lacks at least one of the basic elements, and that is logic.

Legalistic Voluntarism and Political Bias

Because the U.S. Government stands behind the report, the conceptual disharmony of the text and the absence of the style and structure ordinarily inherent in documents of this kind are surprising. Strings of dates are given in arbitrary order, examples are cited regardless of how sound they are, and the lawyer's precise style is lacking. One gets the impression that the report was written by someone for whom, as the vernacular puts it, this was small potatoes and whose sole purpose was to distort the truth by introducing logical disorder, by giving the form of an official document to a piece of writing whose one-sidedness is quite hopeless. What is more, this "document" is also markedly politically biased and written in such a way as to accuse only one side in the conflict—the Serbian side! To illustrate, of the 53 examples of violation of international humanitarian law no fewer than 50 pertained to the Serbian side, and in only three cases were the violators Croats or Muslims.

It therefore seems appropriate to us to put the question: Is it really possible to take seriously a "document" based on this kind of "veracity" and "truthfulness"? It is hard for a normal person to believe that the authors of this report did not receive a single picture concerning the tragedy of the Serbian people in the former Croatia and the former Bosnia-Hercegovina. Of all, then, that happened to the Serbs in those former republics of our joint state—Yugoslavia, of all the forms of suffering to which they were exposed, and which are still being practiced against them, of all the forms of satanic torture, the United States and its official bodies, which stand behind that report, certainly did get wind that "several dozen women had been placed in an overheated metal hangar which earlier, it seems, served as an ammunition store in a former garrison of the Yugoslav Army in Capljina." The official circles of that country do know that "Serbian civilians, including one pregnant woman and elderly men and women, were beaten in the former Viktor Bubani Garrison of the Yugoslav Army in Sarajevo, which is now being used as a camp run by Bosnian Muslims." Just as we are aware that a fellow journalist from the West, after talking to Serbian refugees, directly informed the State Department that women in the Croatian camp in Odzak had been raped!

And that is all. The report does not even mention the public killing of the Serbian wedding guest in Bascarsija, the public execution of Serbs by firing squad in Sarajevo, the massacre in the Serbian village of Bradina near Konjic, the corpses of Gorazde Serbs that floated down the Drina for days. There is not even a word about the victims of Serbian Sijekovac near Bosanski Brod, Serbian Kupres, about the tortures of Serbs in the network of Muslim and Croatian camps, of which there are some 15 in Sarajevo alone (the railroad station, the Sipad Warehouse, the Pofalici Reformatory, the M. Stojanovic Dormitory, the 25 May Nursery School, the vault of Privredna Banka, the former Viktor Bubanj Garrison, the Vladimir Nazor School for Retarded Children, highrise building No. 2 on Pero Kosoric Square, the central prison. Zetra, the Kosevo Stadium, the children's nursery school in P. Togliatti Street, etc.).

The report of the United States does not contain a single datum about the horrifying ethnic cleansing to which the Serbian people have been subjected in the former Croatia and the former Bosnia-Hercegovina. The United States is not interested in the fact that all the villages in these opstinas have been entirely "cleansed" of Serbs: Zivinice, Banovici, Kladanj, Srebrenica (except for the village of Skelani), Modrica, Gracanica, Kresevo, Bosovaca, Vitez, Novi Travnik, Travnik, Zenica, Gornji Vakuf, Olovo, Breza, Kakanj, and Vares. It is not interested in the cruel reality of the figures which say that in Modrica before this war the population was 33-percent Serbian, and today there is not one, in Tuzla the Serbs represented 15.5 percent, and now they are about 4.5 percent, in Zivinice there is no longer a single living Serbian inhabitant of the 5 percent there previously, in Jajce the drop has been from 19.3 percent to about 4 percent, and this is on the territory of the city under control of the Serbian Army. And in Sarajevo, where the Serbs were 33 percent, today those who are left represent less than 6 percent. Before this war, there were 20,000 Serbs living in Mostar, and today there are fewer than

1,000 there. But the United States does not have those data, nor the data on the numerous brothels for Croatian soldiers and mercenaries in Croatia and for Croatian and Muslim soldiers in Bosnia. In Sarajevo alone, to the best of our knowledge, there are six brothels where in the offices of the School of Construction of Sarajevo University alone more than 100 Serbian girls and women were forced to provide the most morbid pleasures to Izetbegovic's criminals and "patriots." To this we should add the number of private brothels, harems, which the leaders of the various paramilitary formations, bigwigs on the flanks of the so-called Muslim defense, have organized for themselves.

Haris Silajdzic's Special Role

These are all certainly things to which the articles of the Fourth Geneva Convention pertain, because these are not only forms of violation of international humanitarian law, but also forms of genocide. But the report of the United States does not contain those examples. The contents of that document suggest that by all appearances someone who is powerful, influential, and informed stood behind that project and dictated what the report was to contain. It is not difficult to figure out that that unknown person is probably Haris Silajdzic, Izetbegovic's foreign minister. For months now, he has not come to Sarajevo, because he has been living almost constantly in the vicinity of the State Department and through his people in the U.S. Administration, above all in the CIA, he has been having an essential impact on the formulation of many views of the U.S. Government, and he probably also influenced the creation of that report. After all, it is otherwise impossible to comprehend the full intensity of one-sidedness and narrow-mindedness of that accusatory document, which as a legal writ ought to preserve neutrality and impartiality when it concerns itself with a problem such as genocide and war crimes.

Someone in the U.S. Administration must have closed both eyes when he decided to release a document like this into the world, and without any pang of conscience or trace of shame.

That is, can we attribute legal validity to all these examples, almost all of which, one after the other, begin this way: "A woman from Posusie (Bosnia) saw...." "A former camp inmate from the Serbian camp Karatori in Prijedor, in northwestern Bosnia, declared...," "A man who was interviewed in a refugee camp in Djakovo was an eyewitness of...," "A 37-year-old man from Doboj, the village Prijedjel Gornji, has described...," "A 55year-old woman from Kozarac was brought to the camp in Trnopolie on 27 May, and she was also an eyewitness...," "A man reliably known to have been in the camp Luka in Brcko, which is run by the Serbs, described the evidence...," "A 29-year-old woman from Kobljon near Prijedor saw...," "I saw them kill my father and mother, said an inhabitant of Kozarac...," "A Muslim who was brought to a camp in Prnjavor in Bosanska Krajina described...," "One citizen declared...," "An inhabitant of Brcko said...," "A 38-year-old woman who

had been in the refugee camp in Djakovo, Croatia, said...," "According to the testimony of a Bosnian refugee...," "A 62-year-old man described...," etc.

The U.S. State Department could have "collected" as many such testimonies as it liked. However, what is the legal weight of such testimony? Are they the "most reliable information" on which the report rests? What does it mean when a document of this kind says that "in the Manjaca Camp south of Banja Luka 25 corpses were found of horribly emaciated men believed to have been prisoners of war"? And what is more goes on to add "the camp was run by the Serbian Army of Bosnia-Hercegovina under the leadership of General Ratko Mladic." And behind such tendentious or unreliable allegations there stand none other than the State Department and United States as those who have obtained "the most reliable information"?!

What actually is the reliability of information like this? It does not even say who furnished that information. Instead of precise data, it says "it is believed." But who is it that "believed"? Is it possible to believe such information at all, or again that information in which the State Department in its accusation of the Serbs and the Serbian people, refers to its own people, those very people who in Yugoslavia served as mercenaries of one side and came to kill the Serbian civilian population and defenders of Serbian villages, and then they were captured and released by those same Serbian defenders?

The State Department and United States go so far, then, as even to accept mercenaries as witnesses and eyewitnesses. It is almost incredible, but this is literally what it says: "May—A U.S. citizen whom the Serbian forces kept in custody because he had served in the Croatian Army said that he had seen the Serbian soldiers in the camp near Bileca torture a Croatian soldier until he died." But that same "U.S. citizen," who had served in the Croatian Army, found that accusation insufficient, and he added, for example, as an accusatory fact that he had also seen "those same soldiers torturing a group of Croatian prisoners and carrying away one who had died."

However, there was not just one U.S. citizen who served in the Croatian Army. There were others. On the next page of the report, we find "March-May—Two Americans who served in the Croatian Army were from March to May in three different camps for prisoners of war in which they were beaten daily with cartridge clips. They were also eyewitnesses of the daily beating of other prisoners."

The poor U.S. mercenaries, so they testified, were even subjected to electric shock and sexual abuse! And on one of them, just think of it, "scars of the treatment were still visible when he reported to the U.S. Embassy in Belgrade."

Such accounts in a document that stands as an indictment against an entire people, which is being submitted to the scrutiny of the world community, is more than a

cynical deception and intrigue. Has there ever been anyone on the globe who attacked someone else's territory with aggressive intent to destroy the domestic population and was not treated as an enemy? Also, let us recall, under the provisions of the Geneva Conventions mercenaries are not tried, but are judged in a summary court martial. In the case of those U.S. nationals who were Croatian mercenaries, that procedure was not followed. Only thanks to the goodwill of the army of the Serbian Republic they were given the treatment envisaged exclusively for prisoners of war who are members of legitimate military formations. They were not executed on the spot as mercenaries in someone else's army, as is allowed by the Geneva Conventions, but, on the contrary, were released from prison. But to compound the irony, instead of gratitude for having been given their lives, these mercenaries are now expressing their revulsion at the "crimes of the Serbian side." It is obvious that they have been paid double for this kind of "testimony."

The testimony of people in the U.S. Administration is given a separate section. Thus, Congressman Frank Wolf complained to the State Department "that in one camp for war prisoners the prisoners were sleeping on straw. This congressman knows that that camp is run by the paramilitary forces of the Serbian Democratic Party [SDS]. He knows exactly whom he is accusing, because he has been well-prepared. He is embittered about the leaders of the SDS, but most of all because of the straw in the prisons. Such testimony brings this "document" down to the level of two-penny novels. And John Zerolis, a member of the CSCE mission, an official in the U.S. State Department serving in the U.S. Embassy in Zagreb, says in this report—"An inspection was made of the prison camp Manjaca, which is run by Serbs." He then goes on to present an assessment of the conditions in the camp not on the basis of facts, but on the basis of what we have been led to expect from a man who even officially has the obligation to contribute in an (un)prejudiced way to this report. That is what the State Department is paying him for anyway.

Kosovo in the U.S. White Paper on Crimes

The Skipetar separatists from Kosovo also serve well as witnesses against the Serbs even when they are not at war, as is the case with the Serbs in the FRY [Federal Republic of Yugoslavial. Little space in the report is devoted to the problem of the internal nature of the Republic of Serbia in the context of violations of international humanitarian rights, but enough to achieve the main objective, that is, to portray the Serbs as aggressors in their own state. Thus, "Redzep Osmani, president of the Society Naim Farsheri in Kosovo, has been in prison since mid-August," so the report tells us, "without knowing the charges against him." During the first week in September, the Serbian authorities "gave harsh treatment" to 41 school officials and teachers. In early September, the Serbian police "opened fire" on students of the Saban Spahija Technical High School in Pec. All of these statements were made by those who work in the Kosovo educational system. And all of that was accepted

in the State Department with profound regret and sympathy. They never put the question of the murders of a large number of Serbian policemen also in Kosovo, nor the savagery unexampled in civilization practiced in the expulsion and eradication of the Serbian people, in the defiling of Serbian historical monuments, in the destruction of gravestones, all of which are forms of genocide against a people, in this case the Serbian people.

Or if they do not know of those examples from Kosovo, they have probably heard how the Ustashi razed to its foundations the famous 16th-century Zitomislici Monastery in Hercegovina, or the demolition of the crypt at Privilovci, which held the bones of 3,000 Serbian victims of the Ustasha genocide in World War II. But in the State Department they do "reliably" know that the 200-year-old mosque in Prijedor was destroyed. They also know, precisely in fact, that "on 3 September nearly 200 judges were discharged from their jobs in Kosovo because of their nationality."

They refuse to know that those same judges received their training from the Serbian authorities and also that those judges, if they have been discharged at all, worked against the Serbs the whole time they held that office and that in Kosovo several hundred thousand Serbian judges, scientists, business executives, peasants, workers, and students had been "discharged" from Kosovo over the last 20 years.

It is simply incredible that the Serbs are being accused because the Skipetar children in Kosovo are boycotting classes, "because they do not accept the Serbian syllabus." Is it possible that no one has asked the question: Then whose syllabus would they accept? Are there schoolchildren in the United States who boycott the U.S. syllabus? What would happen if the blacks in Brooklyn demanded syllabi from Uganda, Rwanda, the Congo, the Sudan, or Panama?

And everything else is just as malicious and cynical in this report. Everything has been bent to condemn the Serbs, it is all aimed at one objective: To prove that the aggressors in the former Yugoslavia were the Serbs, that the occupiers are the Serbs, that the criminals are the Serbs, that they and their leaders are to blame for everything that happened that way and is happening. It turns out that the Serbs were working against the former state, that they disassembled and dismembered it, that they fell upon all the others, those peaceful civilized peoples—the Croats, the Skipetars, the Muslims.

Nevertheless, worst of all is that the international organization, the United Nations, as it has everything else in the recent past, will accept even this arbitrary assemblage of examples with its intolerable, almost unprecedented, legal and logical deficiency, and that something monstrous will come of all this, something we are not even conscious of at this time. He who is powerful, who has force behind him, can prove anything, especially because the Serbs themselves are doing very little to prove otherwise. The Serbian intellectual and other

forces, instead of rallying around the issues on which the security of future life depends, are exhausting themselves in sterile discussions and in the most dangerous of all activities—the struggle for power. As if it suits them for there to be as many criminals as possible in the FRY and the krajinas, as though we take it calmly when the names of individuals are mentioned as possible war criminals. Many people think that it will be better for them if "those who have been named" are tried. The conscience of those who think that way and render such judgments is in a pitiable state. It is not a question here of naming individuals. The White Paper names one people, which in the western regions is fighting for its very existence, in the southern regions to finally drive the occupier off its territory, and all of this in a time when the genocidal punishment cynically referred to as "economic sanctions" is being executed in FR Yugoslavia.

Russian General Urges Aid to Serbia

93BA0211B Belgrade POLITIKA in Serbo-Croatian 6 Nov 92 p 14

[Article by N.A.: "Russian General in Eastern Hercegovina: The Serbs Need the Help of the Russians"]

[Text] Trebinje-Bileca, 5 Nov—In the space that stands between the relative peace in the Dubrovnik-Trebinje theater and the somewhat fiercer battles in the other parts of the Hercegovina front, the visit of Russian General Viktor Ivanov Filatov, member of the General Staff of the Russian Army, to Trebinje and Bileca is at the center of attention these days throughout Serbian Hercegovina.

In his meeting with journalists during his visit to Bileca. Filatov said in part:

"I have become convinced that the Serbs are not the aggressors as they have been represented in the world. I came here to see the situation and to see for myself what is the truth and what is falsehood. I will tell the generals who are my comrades that the Serbs are defending their land and that they need the help of Russia," Filatov said, remarking that "if Yeltsin will not do it, the Russian people will."

Gen. Filatov also spoke critically of the current government in Russia, the behavior of the United States and United Nations. The people in Hercegovina welcomed Filatov, regarding this as a continuation of the century-old traditional friendship between the two Slavic peoples.

Macedonian Deputy Prime Minister Interviewed

93BA0161A Skopje NOVA MAKEDONIJA in Macedonian 31 Oct 92 p 13

[Interview with Stevo Crvenkovski, Macedonian deputy prime minister, by Julijana Kocovska; place and date not given: "The Easiest Thing Is To Invent Traitors"]

[Text] I fear that we are entering into a situation in which opposition to economic change and to the real transformation of the system is lurking behind the hunt for treasonable policies. It is up to only us to be sensible enough to not fall for war provocations in Macedonia. In interethnic relations coercion should not be given a precedent.

Stevo Crvenkovski, the present secretary of the liberals, professional theater director by vocation, and recently named deputy prime minister, a quiet person in politics, without any political drive toward sensationalism, dynamism, or some kind of bearish charm, gives the impression that he is even afraid of politics.

However, this is merely an initial impression. His way of thinking reveals that he nonetheless has an understanding of democracy. He thinks analytically, and his political outlook is dominated not by "big words" but by rationality and far-sightedness.

[Kocovska] As a person who is a theater director by profession, what led you into the political area of the executive branch? The impression is that you are reluctant to be publicly visible....

[Crvenkovski] Anyone who is in politics should be in the public eye only when there are real reasons for it or it results from his work, or else when new initiatives must be taken. To insist on being in the public eye at all costs, for the sake of some kind of rating or position, is, in my view, senseless in a normally functioning government. Since this government has been in power no more than one and a half months, I believe that our results have as yet to begin to show up.

As to the first part of your question, let me say that it is precisely the political area that can be turned into executive power. For many years we had a wrong view of the nature of executive power. This applied even to the preceding government, in which the emphasis was on some kind of expertise. Actually, this was a legacy of the previous system. The political aspect of the executive branch includes the members of the government or their deputies who are not strictly experts in that area in any normally functioning democratic system. It must be realized that resolving problems that are in the domain of experts is not the business of the government and of its members. The wisdom in politics is to be surrounded by experts and to listen to their advice.

Lies and Forgeries

[Kocovska] In the past few days the parliament has been debating a government packet of laws on citizenship, travel documents, and identity cards. Based on the development of the debates, what concerned or discouraged you most as a Macedonian citizen and, subsequently, as deputy prime minister?

[Crvenkovski] Several issues concern me which have been debated in that parliament since almost the very

first day. First was that of the responsibility of statements that are made. We have developed a very erroneous concept of the nature of democracy and the immunity of an assemblyman, and there have been cases of representatives permitting themselves to tell lies and make false statements, thus causing harm and slander, things that never remain without consequences in any democratic parliament. What concerns me is how long will the parliament continue to tolerate such things, for such an atmosphere will infect society and result in an extreme lack of responsibility in making public statements. Eventually irresponsibility in making public statements leads to chaos, or to a totalitarian system. This never leads to democracy.

[Kocovska] What is your opinion on some statements made from the positions of national extremism?

[Crvenkovskil I do not agree that these are views of a national extremist nature. It is the national aspect that is in question. A national feeling and national interest must be based on what will truly protect and stabilize the nation and enable it to attain a status equal to that of other nations throughout the world. This means its ability to compete in all areas with the other nations in the international community. This applies to anything that may degrade this nation, although the superficial impression may be that national interests are being defended. It also applies to anything that lowers the standards applied in the developed world, although on the surface one may gain the impression created with some heated slogans that it is the national interest that is being allegedly defended, whereas actually it is the nation that is being threatened.

[Kocovska] What is your comment on the statements that the government, together with the present political leadership, is practicing a treasonable policy?

[Crvenkovski] In recent years we have seen in what was Yugoslavia as well as in Eastern Europe that it is very easy for any policy which leads to change to be declared treasonable. What I fear is that hiding behind a witch-hunt of treacherous policy is an opposition not to specific decisions debated in parliament but opposition to an economic reform.

Fear of Change

[Kocovska] Could you tell us the real reasons for the fact that in some party circles the government is described as being "communist-Albanian"?

[Crvenkovski] It is interesting that qualifications to the effect that the government is communist come precisely from people with long party experience and extensive party functions as part of their biographies. I cannot decipher their psychological situation, for I have never been a communist and I may be one of the rare persons in the 40-odd political parties in Macedonia who has never been a member of the Communist League.

As to the second, I would once again claim that it is probably a case of fear that this government will indeed introduce changes. Yet the government is resolved to introduce changes, starting with the sale of public residential property and businesses, the privatization of enterprises, and regulation of the market taxation system. All of this makes it mandatory for those forces that must publicly oppose the changes, for lack of adequate arguments, to try at all costs to preserve a base for a totalitarian system. They hide their opposition to the government by citing reasons other than those which truly make them afraid of the government. What they are truly afraid of is the decision of the government to cut off the roots of totalitarianism and to prevent any restoration of any kind of totalitarian system, whether on the left or the right.

The consequences of any totalitarianism are the same. Both left-wing and right-wing totalitarianism are based on some kind of concern for collectivism. They are different only in their slogans. Left-wing totalitarianism alleges concern for the working class, whereas right-wing totalitarianism promotes "concern" for the nation. We have examples of the working class being brought to the line of poverty precisely by those who present themselves as defenders of its interests; we also have examples of how to impoverish the nation precisely by those who are allegedly concerned with the national interest. I believe that in the postcommunist societies in Eastern Europe. as in Macedonia, there exists a phenomenon that I describe as national bolshevism. It appears at a time when totalitarian ideology based on class loses and can no longer preserve its totalitarian meaning, at which point it develops a new idea claiming that it is nationalist. This is that same totalitarianism but with a new slogan.

Attempt at Chaos

[Kocovska] Of late there has been a great deal of talk about three threats to Macedonia. First, the possibility of redirecting military conflicts; second, economic exhaustion; third, the outbreak of domestic interethnic and religious conflicts. What is the greatest threat to the destabilization of Macedonia?

[Crvenkovski] The same forces are simultaneously working on those three levels. It is clear that those who do not wish to see Macedonia an independent state must find a way to block the path to recognition, for once this process comes to an end, and the end of this process has already been initiated and is within sight, all of their claims about Macedonia will become invalid. In our case, this applies to a greater or lesser extent to the claims raised by our neighbors. Therefore, in order to be able to block the process of recognition, they must provoke some kind of internal disorder. Hence the claims of military pressure from the outside. I believe that such threats are increasingly less realistic, thereby constantly insisting on social tension while, at the same time. promoting an economic blockade through the petroleum embargo or export and import games. The third factor is

that all such forces are trying to promote national. ethnic, or religious tension within Macedonia, for this too is believed by them to present an opportunity. One of the highest officials in the previous Yugoslav People's Army, General Vasiljevic, quite clearly described the strategy of the KOS [Counterintelligence Service] in Macedonia: promoting ethnic and religious discord. My question is the following: If the KOS has formulated such a strategy, and if it has followed this strategy, the question is how? Is it with the help of people who stayed home or with the help of people who have publicly and openly promoted national and religious quarrels? It is obvious that the strategy took the second road, and one can very easily identify the forces that clearly promoted and called for religious and national strife, thus implementing the notorious "Opera" plan and the KOS strategy

I personally see no reason for war in Macedonia. There is always a danger when we look at the interests of the people outside, those who have claims toward Macedonia and who would like to block the path to recognition. If we look at their gains and manipulations and efforts to develop chaos within Macedonia we see that the danger is always present, although there are no reasons for war in Macedonia. Therefore, it depends on us exclusively to be sensible and not to react to such provocations.

We Are Not Being Obstinate

[Kocovska] How do you answer foreign journalists or members of foreign delegations who ask why should Macedonia not adopt a different name? Of late there has been speculation on the option of having a double name or else a name with a geographic indicator.

[Crvenkovski] Not only from the position of Macedonia but also from the position of the democratic future of mankind, it is unacceptable for one country to dictate to another what its name should be. It is not only unacceptable to Macedonia but it would be unacceptable to any other country throughout the world to set up a precedent according to which whoever is bigger or has stronger friends should be able to pressure another smaller country by force. This is a key question. It is not a question of whether we are being obstinate about the name or that we could change it but are unwilling to do so. First of all and essentially, we cannot change the name. However, this is not only a question of our rejecting a name change; it is a question of the future of all small countries. If it is allowed even on a single occasion for a small country to be forced to be pressured into doing something that it does not care to do, at that point all other small countries will find themselves constantly threatened. They will never know when someone stronger than they will decide to demand something else. I am trying to emphasize this strongly. and in our contacts I am finding an understanding in Europe precisely because of the danger facing everyone-not only Macedonia. Coercion in international relations should not be given a precedent.

[Kocovska] How hard will you be promoting the government's pledge to have a law-governed state? What will happen to the standards of having an independent judiciary, local self-government, and the elimination of the mafia and the criminal element?

[Crvenkovski] The pledge of promoting legality and respect for the legal order is the essence of the pledge for democracy. Democracy means, above all, respect for the law and the rule of law. At present we are in a situation in which respect for the law has become greatly weakened and the rule of law has become very problematic. First, because of the weakening of the policy of retribution: The government has now proposed a new standard for punishment. Second, we are in a situation in which some state mechanisms and institutions have not been fully established, such as, for example, the customs system of an independent country. In a period of tempestuous changes, under a law that was unacceptable, while there still is no new law, there indeed developed a wild situation that we neither can nor dare to tolerate. There is currently abuse of the the concept of a market economy. It is being said that a market economy means that people will be openly selling black market goods without paying any taxes. A market economy cannot exist unless everyone pays the proper taxes and fees and everyone is in the same legal situation. The easiest way of wrecking the idea of a market economy is to allow illegality and savagery.

Radical Privatization

[Kocovska] Recently the former prime minister addressed a series of accusations at the RSM-LP [Reformist Forces of Macedonia-Liberal Party] and its leadership. How accurate are the statements that your party insisted on revoking the Law on Privatization or engineered Kljusev's fall?

[Crvenkovski] Our party was founded above all as a party based on the idea of privatization. From the very first day we insisted on comprehensive and radical privatization. What we opposed during the stage when the law was passed was a law on statification, which was to be called a law on privatization. That law was subjected to a number of amendments and is now coming closer to what it should have been and what it will be in order to justify its name.

Second, I do not know where Mr. Kljusev got the idea that in some coffeeshops there was talk of the overthrow of that government when, after six months of efforts by the experts, we formulated several initiatives. The first was for the ministers of that government to identify themselves politically, so that we would know who was politically responsible for their work. This was rejected by Mr. Kljusev. The demand for establishing a normal government, based on the democratic parliamentary principles, was steadily promoted by us publicly in press conferences and, subsequently, in parliament. Mr. Kljusev's idea that there were some people who wanted to overthrow the government with a conspiracy against the

state and the public order and that this was to be done secretly in some sinister way was an absolutely bolshevik idea unacceptable to any democratic society. We publicly asked for the government to resign, motivated by clear democratic principles: in a democratic society a government consisting of career employees should not last more than six months.

[Kocovska] As deputy prime minister, do you discuss politics with your father? Do you receive any advice from Krste Crvenkovski?

[Crvenkovski] I was lucky to have a father who has never given me advice. From my earliest childhood he has always given me the broadest possible freedom. It is a fact that never, not during my earliest youth or later, has he tried to instill in me his political views. At the time when he was chairman of the Communist League I clearly refused to join that party. He did not object. On the other hand, he has been for quite some time outside of politics for well-known reasons. Still, he follows with a great deal of interest everything that is taking place today, and to this day my impression is that he does not especially wish to give me any advice.

[Box, p 13]

On Speculating With Stock

From the very start the label was slapped on us that we are a party of directors, although the percentage of directors who are members of the RS-Liberal Party is lower compared to such membership in some other parties. Second, speculations that some members of the party's leadership own shares in individual enterprises are absolutely without any foundation. We had a case, for example—that of Risto Ivanov, the party's deputy chairman, who was attacked by a member of parliament who said that he had appropriated stock from the Noel enterprise, where he was a director. Noel is a public enterprise and, in general, is not privatized and no one can own shares in it, not even the director. This was only one of the cases of obvious slander.

Distance Between Politics and Artistic Direction

As an artistic director I cannot fail to comment on the staging by Ljubisa Georgievski, but I had no opportunity to see it. As a director I cannot comment on the political implications, for this is not the job of a director. I can only comment on the distinction I make between my own activities as a director and my activities as a politician. There is a clear space between these two jobs, and one must never confuse one with the other.

I think that Ljubisa Georgievski has unwittingly combined both, and he should probably make a much clearer distinction between his activities as a politician and as a director.

Macedonian Delegation in U.S. for IMF Meeting

93BA0050A Skopje PULS in Macedonian 1 Oct 92 pp 12-13

[Interview of Ljube Trpeski, leader of the Macedonian delegation in Washington, by V.M.; place and date not given: "Breaking the Ice"]

[Text] Last week in Washington the Macedonian delegation attended the annual meeting of the International Monetary Fund as a special guest for the first time. We discussed the possibility that all former Yugoslav republics will be treated as a package, the Greek opposition, and the significance of membership in the most powerful institutions, with Dr. Ljube Trpeski, a minister in the government and leader of the Macedonian delegation in Washington.

[V.M.] The annual meeting of the International Monetary Fund and of the World Bank, which was held last week in Washington, passed without almost any media pomp. What is responsible for the fact that the world financiers are so secretive?

[Trpeski] The area of finances, especially monetary ones, always has been under the cloak of greater or lesser secrecy, so that the decisions that are made in this area are not discussed anywhere in the world ahead of time, and, for example, press conferences are not held upon the passage of decisions. This is done for many pragmatic reasons, first of all because of the fact that monetary decisions have great influence on other spheres of economic and social life. In this context I would recommend to PULS to investigate, for example, what damage was done to the Macedonian economy during the first half of the year, when certain functionaries inconsiderately announced the monetary isolation of Macedonia. It seems that this is a subject for a master's thesis!

[V.M.] The annual meeting will be remembered for the participation of Macedonia as a special guest. How do you evaluate the "debut" and what meetings did the Macedonian delegation have in Washington?

[Trpeski] At the annual meeting of the International Monetary Fund the four republics of former Yugoslavia, who have become independent countries (Slovenia, Croatia, Bosnia and Hercegovina, and Macedonia) and have submitted a request for membership in this financial institution, were invited to the annual meeting of the fund as special guests. The status of special guest means that the delegation has the right to attend all conferences of the fund and of the bank, but without the right to address those present. Otherwise, the annual meetings of the International Monetary Fund and of the World Bank offer an opportunity for holding many conferences with delegations from other countries. From 10,000 to 15,000 people (this year there were around 12,000 people) from the world of finances are present during the days when the meeting is held. Practically the entire financial establishment is gathered in Washington during the week when the meeting is held. Thus, even the delegation that

I led, which consisted of the governor of the National Bank of Macedonia, Borko Stanoevski, Jane Miljovski, and the Macedonian representative to Washington Ljubitsa Acheska, held numerous meetings with representatives of the fund, the World Bank—once the International Financial Corporation [IFC]—with other banks. and with delegations from other countries. It is important to emphasize that we were received by the highest representatives of the fund and of the bank. First of all because of the preceeding involvement of our representative Acheska, the Macedonian delegation held practically all the meetings that it had planned. Also we spoke with several executive directors of the fund from particular countries, whose names I cannot reveal to you because of the problems that we have with our southern neighbor. In conversations with the representatives of the fund, we repeated our great interest in acquiring membership in this financial institution as quickly as possible, and we insisted on the use of the so-called successor model for membership.

[V.M.] What does this mean in practice?

[Trpeski] This means that the countries that arose on the territory of the former SFRY in accordance with certain criteria, such as, for example, social production, importexports, and others, would divide the quota that the former SFRY had in the fund. In accordance with this, the quota would be divided into five aliquot parts, which is the most acceptible for all, since no new funds have to be set aside for membership in the fund. The most responsible people of the International Monetary Fund and of the World Bank espouse this position.

[V.M.] Do the interests of the former Yugoslav republics coincide with those of the fund?

[Trpeski] Our interests coincide with those of the fund, this means that the prevailing attitude is that all former countries of the SFRY have to be accepted as a package. We consider that individual acceptance or entry into the fund may complicate or delay the entry process.

[V.M.] Does this mean that it will not be necessary to wait for the next annual meeting in order to become a member of the IMF?

[Trpeski] It is not necessary. Already actions are being taken to have the question of the acceptance of the states heir to the SFRY placed on the agenda of the board of directors of the IMF by the middle of November. In the meantime, the main problem is the sanctions that the United Nations have imposed on the Federal Regulablic of Yugoslavia [FRY]. That certainly is reflected in the decisions of the IMF because it, as an agency of the United Nations, cannot act counter to its ecisions Hence, this problem may prevent acceptance in a package.

[V.M.] The representative of the FRY, Dr. Oskar Kovac, pointed out the problem with the name of Macedonia as one of the complicating factors for acceptance as a package in the IMF. What do you have to say about this?

[Trpeski] They want to dilute the difficulties that the FRY has on the international level by posing the problem of Macedonia. Bearing in mind the significance of the European 12 in the board of governors of the IMF and their number of votes as well as the decision of the Lisbon Conference concerning the name of Macedonia, this may represent a problem for membership of our republic if, in the meantime, up to 15 November, this matter has not been cleared up within the framework of the European Community.

[V.M.] What does Macedonia "get" and what problems may be solved more easily if it becomes a member of the IMF by the end of the year?

[Trpeski] Membership of the Republic of Macedonia in these two financial institutions is of primary importance. At this time the international money market is closed to Macedonia, indeed, as it is for all other countries who are not members of the fund, and without international financial support we can hardly stabilize the economy and ensure more rapid economic development. As is known, the World Bank has blocked the financing of the economic entities in Macedonia. With membership, crediting for projects already begun would continue, and new arrangements would be made. Membership would create the possibility of affiliation with the World Bank IFC, which, otherwise, exclusively finances the projects in the private sector to be included in the process of the privatization of the economy in Macedonia.

[V.M.] A mission from the World Bank visited Macedonia at the beginning of the year. What is its view of the economic position of Macedonia and, in particular, of our ability to repay debts to these financial institutions?

[Trpeski] In its visit to Macedonia the mission of the bank prepared a study that treated very favorably the efforts that are being made in Macedonia for stabilizing the economy, calming inflation, privatization and restructuring of the economy, monetary reform, and so forth. This study was well-received by the World Bank and the fund, and it contributes to forming a favorable evaluation of Macedonia. It seems that the sympathies toward Macedonia increase to the degree that our southern neighbor creates greater problems for us. Thus, for example, the oil embargo that Greece imposed on Macedonia has created great bitterness even at the World Bank and at the fund, and undoubtedly contributes to increasing the popularity of Macedonia in the eves of the financial world.

[V.M.] Probably the question of the repayment of previously taken credits from the World Bank was raised in conversations with the members of these financial institutions. For the time being this problem is not bothering us, but will it in the future?

[Trpeski] Repaying the debts is a serious problem with which we are acquainted, and we have to work out ways to be solvent with respect to the World Bank. This will make our entry easier and will also increase the possibilities for acquiring new credits.

[V.M.] Is it possible to use credits from other financial institutions, such as, for example, the International Association for Development?

[Trpeski] With the complication of the conditions in Macedonia and with the long-term permanent decline in social production, there is a possibility for using credits from another affiliate of the World Bank. This is the International Agency for Development [IDA], which finances the poorest countries in the world under much more favorable conditions. On the whole, in a relatively short time many external factors have affected Macedonia, and it is in a situation where it is suffering for conditions for which it is not responsible. For example, the sanctions of the United Nations against Iraq mean a loss of over \$300 million for Macedonia, for which there is practically no compensation. The sanctions against Serbia and Montenegro and the loss of the markets of the former Yugoslavia, according to current estimates, will create damages of \$1.3 billion. If to this is added the damage that Macedonia is suffering from the closing of the border on the part of Greece, then the great decline in the social product and the inclusion of our republic among the countries that "meet" the criteria of the International Agency for Development is logical.

[V.M.] The public has been given the impression that the majority of the financial problems that are of vital significance for Macedonia will be solved with membership in the IMF. Is there is a place for such optimism?

[Trpeski] Membership only opens the possibilities for solving the problems, and then it depends on us if we will use these advantages or not. The IMF sets specific conditions that must be fulfilled by the country in its economic and monetary policy in order to use the so-called standby arrangement. That these conditions are not easy is illustrated by the fact that during the past decade the former Yugoslavia concluded many such arrangements that were later stopped by the fund since Yugoslavia was deviating from conducting the economic policy that had been agreed upon. In short, the fund will insist that we conduct an economic policy that was sketched out with the anti-inflation program; hence, the incomprehensibility and illogical nature of the decisions that were for unfreezing wages become more and more apparent. If we were a member of the fund and had used standby arrangements, the latter decision for freezing wages would have led immediately to stopping financial support and of relations. This means that in relations with the IMF, and in particular with the World Bank, the advantage is not only in the fact that fresh money may be obtained, but in conducting a consistent economic policy that may be applied under certain dictates. That is, using and making operational one of the basic economic principles: Help yourself in order that we may help you. And just now we are seeking this from the world. This means, in the first place, lifting the blockades and allowing us access to the international money market in order that we may solve the economic problems. The capital market is closed to us now as it rarely has been for any country.

[V.M.] Should we expect obstructions on the part of Greece, and when will the financial blockades be eliminated?

[Trpeski] Greece is doing absolutely everything it is able to do to block international recognition of the Republic of Macedonia. We know that it is doing so in the IMF and in the World Bank. However, the key is with the European 12. When they solve the problem that they have with Greece, it will be much easier for the Republic of Macedonia internationally.

[V.M.] How did the Greek delegation react in Washington?

[Trpeski] The report of the mission of the World Bank concerning Macedonia provoked a great reaction among the Greeks. First because it mentioned the name Macedonia, however, the formulation of the former Yugoslav republic of Macedonia was used, and, second, the report was very favorable concerning our republic, and they didn't like that.

JNA Intelligence Operations Against Macedonia

93BA0157A Skopje PULS in Macedonian 29 Oct 92 pp 9-11

[First article in a series by Mirka Velinovska: "A Fox in an Opera"]

[Text] While Macedonia was beginning to move toward independence, the secret services of the Yugoslav Army, in parallel with the political scenarios for "saving Yugoslavia," were preparing actions to combat and eliminate the "secessionist regimes." Although Macedonia did not have priority, a plan for disciplining "the southern Yugoslav Republic" already was prepared to be used when necessary. The text that follows is exceptional evidence of the operational plans of the "JNA" ("Yugoslav People's Army") and of its "striking fists"—the Security Agency, KOS (the Counterintelligence Service). Opera Orientis ("the Air Force Propaganda Agency Orientis"), the Security Agency of the Third Army District, and the counterintelligence group, the activities of which PULS is bringing to life for the first time. In this issue we reveal how Macedonia was to be destabilized, who formed the "Forest Brigade" for the war in Croatia and why it was formed, whether an agency of the KOS is maintained in Macedonia, how Macedonian officers are jailed, why the inspector of the SDB (State Security Service) in Bitola, Milos Lozanovski, is incarcerated

Precisely at the time when the citizens of Macedonia were preparing to hold a referendum in order to express their will concerning whether they want an independent state, they were in the presence of an army that for a year had been displaying open sympathies toward the carrent Serbian regime, and which for several months had been tied up in the war with Croatia, and with the knowledge of the security agency of the Federal Department for National Defense of the former JNA. The Air Force and Air Defense Security Agency developed plans and

actions with which Macedonia was to be crushed when they were activated. An "illegal" agency with the working name of "Opera Orientis" (Opera is, actually, an abbreviation of the Air Force Propaganda Agency), was engaged for this purpose, the creators of this now already dismystified, and, according to the results achieved, Opera propaganda, intelligence, and theoretical activity against Croatia and Slovenia, carried out all necessary preparations for implementing a third, essentially identical scenario—in order to block the implementation of the prudent national will in Macedonia.

According to the information that PULS has at its disposal, the action provided for creating an agent network in the highest government agencies, in the party leaderships, penetrations into the security institutions, and even infiltration of "their" people into the embryo of the army in the Republic, which was becoming independent. Attempts were made to provoke international conflicts in order to create conditions for army intervention. The ultimate purpose, in the case of Macedonia, as previously in Croatia, was to achieve the same results: By means of destabilization of the political, security, and economic plan, to cause the fall of the legally elected authorities and to substitute an obedient and safe team that would lead Macedonia into the Serbian-Montenegrin Federation.

Of course, all the work invested in this ambitious program would not be worth a broken coin if the active Army Security Service, Security Agency, and, in particular, the KOS (we use this original abbreviation with the meaning of the Counterintelligence Service as recognizable by its activity), was not working and with the security of a preexisting logistical support of a certain crew of people included in the army, political, and police apparatus in Macedonia. And it is precisely this element that deserves particular attention. As far as is known to us, up to now no one in Macedonia has spoken aloud or whispered about a possible "army gift" in the form of a developed and well-formed espionage network. Or, in other words, an intact structure of fifth columnists, that is to say, a network that may be activated in specific circumstances and very concrete areas.

However, let us remember that the counterintelligence network was brought to life in Croatia during the course of the war and through Operation "Laborador." In Slovenia, all those who wanted to remain serving in the Slovene Army and who were in certain safe positions in the Fifth Army District in the JNA first had to provide the network of their coworkers. In Macedonia both the first and the second "airing" were absent, and thus there is the question of to what degree and where the "army" intelligence agents have already succeeded in infiltrating and, of course, how much the citizens of Macedonia during the last two years (more specifically, until the departure of the JNA) were exposed to the danger of smelling the aroma of gunpowder. There were a number of signals and signs of this.

Just on the eve of the Day of the Fighter, on the 4th of July, last year, residents of Skopje were alarmed when a police transporter loaded with special forces appeared in front of the building of the Republic Assembly, and at the same time were placed in front of certain other strategic objects in the city: the main post office, the buildings of the MRTV [Macedonian Radio and Television] and NIP [Newspaper Publishing Company] Nova Makedonija. From the perspective of current knowledge it is sufficiently clear that this event was connected with the conduct and the intentions of the JNA, which is confirmed by the declarations of certain of its commanders.

Thus, in the autumn, when the path along which Macedonia was traveling was already obvious from the referendum that had been conducted and the passage of the Constitution, the commander of the Third Army District, Milutin Kukanjac, at a news conference, decidedly expressed dissatisfaction with the Macedonian leadership and even made known what the army would do if the slightest provocation took place with respect to his people or their families. The same threat that "Macedonia will burn if there is any kind of escalation against the JNA," from Pristina, was made in December of 1991. Then, several times after the JNA left Macedonia, we heard from the former Prime Minister Nikola Kljusev, and from the Vice President Blaze Ristovski, and from the Assembly podium even that there is a real danger of their arrest. General Mitre Arsovski, the commander of the general staff of the ARM (Army of the Republic of Macedonia), expressed a similar thing in the interview with PULS. Well-informed people say that even President Kiro Gligorov, last autumn, had prepared a written address to the nation in a drawer. Of course, in case the JNA tried to carry out a coup.

In the meantime, if certain nervous army actions, as well as declarations, may be understood as a reaction to the behavior of the host who refused to listen to the guest. and no longer wanted to put up with him, then there is no reasonable way to explain certain "attendant" actions. The activity of the "Opera" pack, with which it was preparing to involve Macedonia in the Croatian-Serbian war going on at that time, as a precondition for proving "suitability" of becoming the third member of the Serbian Federation, is just one of these things. It was not enough that the government from the beginning of the war in Croatia, without great success, sought from the army leadership that they return the soldiers from Macedonia, the compromise, according to certain information, was to be accomplished by forming volunteer military formations, so-called "Forest Brigades," which then were sent to the fronts in Croatia.

That which is characteristic of them is the fact that their leadership was made up of identified and proven criminals. Thus, a certain Mr. Milorad Andonovic, at the time an inhabitant of the prison in Idrizovac, was an instructor at the head of one "Forest Brigade." With the intercession, if not to say direct insistence, of Jordan Mijalkov, minister of internal affairs at the time,

Andonovic not only left prison overnight but expressly obtained a new identification card with a corrected surname, and from Andonovic became Andonovski. Often this close comrade of the known criminal Arkan, capable of all kinds of "liberating" actions, leads his trained "fighters" on the fields of battle of Vukovar, and from there, by means of Novi Sad television, declares to the world that the Macedonians also are fighting in Croatia on the side of the JNA. As we know, the gentleman in question, upon returning from the front, is leasing the "Lotos" Cafe, and every day drives around the streets of Skopje in a Mercedes registered in Ruma, which malicious people say he probably acquired by the "right" of the victor to acquire part of the spoils of war. It is interesting, in the meanwhile, that it has not occurred to the responsible agencies in Macedonia to cut short his "leave" and force him to finish the punishment for his crimes.

According to all indications, as well as according to the published details of the current judicial process in Belgrade, in the entire field of high-ranking officers from the Security Agency and the equivalent service of the Air Force, it is clear that the Macedonian officers had their place in the all-embracing action of "Opera." Not all, but quite specific people in corresponding positions who, in one way or another, were able to help or to thwart the planned army action in our country.

It brought us to a very delicate situation when, without bad intent, but in the interest of the truth and the profession, however, we have to begin to talk about an exceptionally difficult period when the people employed in the JNA at the time were faced with the dilemma of being loyal to the people to whom they belonged or to submit themselves to an alienated army command. The indisputable human dramas were intensified 10-fold because of the insufficient information supplied concerning what actually was going on in Macedonia. The army leadership, which presented the ongoing changes in the political life of Macedonia to its Macedonian personnel in a malicious and distorted way, was involved in the misinformation or intentional disinformation. The fear of the uncertainty of the outcome of the events, fear of the fate of families, and probably many years of army ideological indoctrination also played a role.

However, now, at a distance of a year and with the evidence that has been collected, we see more clearly that there was a cruel division between colleagues in view of the decision of whether to be for or against their own government. But the creators and conspirators of the policy of disciplining "the secessionists" were able to utilize it beautifully. The people with whom we spoke, and who for the time being will remain anonymous, say that the "Macedonian opera" was directed by Colonel Slobodan Rakocevic, then head of the security agency of the Air Force (at the present time he is in pretrial military confinement in Belgrade), but the brains of the action in Macedonia, as before of that in Croatia, according to their statements, were the Generals Aleksandar Vasilevic (now under arrest awaiting trial),

and Simeon Tumanov (he succeeded in avoiding arrest and at the present time is in Macedonia), as well as the former head of the security agency of the Third Army District of the former JNA.

According to their plan, the only goal, which fortunately for us did not materialize, was to force Macedonia to remain in "Yugoslavia." Mr. Tumanov confirmed something of this to us in his way in an informal conversation. Namely, when we asked him to tell us how he looks at the situation between Macedonia and Serbia, that is, how it will develop, he said roughly that "Macedonia will hardly extricate itself from the Serbian interest"; that is, "Serbia will never reject the idea that Macedonia will be part of the new federation." As a well-informed man, Tumanov has to be believed. He knows well because for a long time he has been "in." and the examples which we are citing in connection with the current activities of the Serbian military counterintelligence service are yet more proof.

In October 1991, when it became clear that Macedonia was starting on the path to independence—a fact that, it seems, struck certain people in the army command very hard (Gen. Blagoje Adzic, for example, as Simeon Tumanov told us in an informal conversation, was exceptionally surprised and sad, because he had many beautiful memories of his service in Macedonia)—with the blessing of the security agency led by Vasilevic and Tumanov, there began to be large-scale suspicion and monitoring of the activities, behavior, and contacts of Macedonian officers in order to prevent them from joining together, organizing, and working on behalf of their own country, as had happened previously in Slovenia and Croatia. Some of this spying concluded with the arrest of "unsuitable officers."

There are many such examples and evidence that will be discussed in the further course of our history, but for the beginning let us remember the arrests of the five Macedonian officers from the garrison in Petrovac and their being brought to Nis at the end of last year, among whom were Jovan Iliev, Ilija Zanovski, and Jovan Stankovski. They were to be tried for:

- 1. Undermining the military and defensive strength of the country (SFRY).
- 2. Revealing a military secret.
- 3. Organizing themselves in the case of an attack on Macedonia.

Risto Todorov, at that time assistant head of counterintelligence operations of the air corps in Nis, directly led this operation, which had the code of "Fox." Or we should recall the arrest in Kumanovo of the physician Captain Goran Denkovski, from October to November 1991, about which the press wrote in detail. These examples and the name of Todorov very graphically describe the two types of army personnel who understood the current events in a different way, experienced them differently, and acted in accordance with their

attitudes, natures, and interests. Then it will remain written that in June 1991 Tudorov, in agreement with his interference and, of course, instructions received, gave an order for the creation of classic agent positions in the Macedonian Government bodies. In addition, for understandable reasons, the Macedonian State Security Service was particularly interesting from the point of view of the JNA.

As some of our interlocutors and witnesses of the events told us, the target of the potential "spies" was to be those who had declared themselves for an independent Macedonia. With his enthusiastic work, concerning everything that he succeeded in "uncovering" through his "pushbuttons," Todorov sent direct reports to Colonel Stanislav Cuk, at the time head of the Central Office of the Counterintelligence Group (KRG) of the Air Force and the PVO (Air Defense Forces) in Zemun, directly subordinate to Colonel Slobodan Rakocevic. Inspired by the high-quality reports, which we can only guess at what they contained, Todorov's Belgrade superiors ordered the recruitment of "superior" or "strategic coworkers," as coworkers of the highest rank are called in the terminology of the KOS, and in parallel with that during the crisis in Macedonian-Army relations, the offices of the Macedonian warrant officers at the airfield in Petrovets were bugged. As a consequence of this, as well as certain "awarenesses of nationalistically disposed" Macedonian warrant officers, in January 1992 at the order of Colonel Mrdakovic from Nis, Lieutenant Colonel Blagoja Georgievski, at the time the head of the Security Agency of the Petrovets Airfield, was suspended along with four other Macedonian officers (three from the Security Service and one from the military police).

Thus, with a "purified" and completely changed staff of the agencies of the Security Service and the Military Police, and reinforced with a team of warrant officers of the security agency from Nis and a detachment of the elite paratroop unit, he approached the eviction of Petrovets. But not only that. The same army intelligence manuscript, according to our sources, may be read concerning the execution of placing explosives for mining vital facilities and offices, including airfield runways. That the JNA prepared for action, or at least thought that the effects of the operation of the "operetta scenario" would be as they wished, is indicated by—if not all, then a part of—the more militant officers and the data to which we have come.

Namely, in the same period, January-February of 1992, all technical facilities of the KRC detachment of the Air Force and PVO in Skopje were transferred to the airfield in order to avoid a possible surprise (blocking barracks or military objects as in Croatia). Then it was activated, that is reinforced, by previously planned activity for forming volunteer paramilitary units that would act in the region of Skopje and Kumanovo, in case the anti-Army mood became more acute or if some incident happened. Of course these days here and there in the national parties there are also people who hardly waited

and worked for some kind of incident to happen. There were attempts to block the barracks.

The evidence of several members of the special volunteer unit formed at that time (it numbered 30 members, and of them 28 are known in the corresponding agencies), trained by Major Martin Pispetski in the village of Chojlija and in Vizbegovo, will be noted, and part of the training envisioned kidnapping certain important politicians, or at least one member of the government in order to have a trump to exchange in the case of a possible blocking of military convoys or an attack against the JNA.

In order for the scenario in Macedonia to be successful, it was to be expected that the big players Vasilevic and Tumanov had to wait for certain sources-good coworkers, in a word-for their agents. Sometimes they were successful, other times less so. However, it seems that it was precisely in this way that it was possible to do harm to the country. Significant amounts of information began to be sent in a short period in the direction of the Federal Security Agency from the State Security Service of Macedonia. Vasilevic, Tumanov, and the former head of the Security Agency of the Third Army District made use of Milos Lozanovski, at that time an independent inspector of the SDB in Bitola, who then had access to a large amount of information and documents for this purpose. The man, even in June of 1991, was recruited by Colonel Nikola Glumac, at that time the head of the Security Agency of the 41st Corps in Bitola. and. according to the judicial evidence, "fell" to "the lure that Lozanovski (so Glumac told him) would be made head of the SDB in Bitola after the coup that the JNA will carry out in Macedonia.'

In fact, Lozanovski in his statement to the court said something quite different; that is, that he did what he did "because of his Yugoslav convictions." Perhaps it was so, because even in this period, when it was unclear only to the most naive that Yugoslavia was no more, as the JNA disappeared at the moment when it put itself on the side of a policy, there were still idealists.

In the meanwhile, the story with Lozanovski, whose conspiratorial name was "Borets," consists in the fact that through him, in the Bitola-Skopje-Bitola relation, Belgrade was well-informed about everything that happened in the republic. Lozanovski, misusing his position, successfully distributed hundreds of pages of material that, through his mentor Glumac, reached the Security Agency in the Third Army District, which a Macedonian headed. From there the information went to the generals and chiefs of the Federal Security Agency, Vasilevic and Tumanov.

On the way, when we attempted to ask for a conversation that would disentangle the events for us, Mr. Tumanov, who is being judged in Belgrade in absentia, in the already-mentioned informal meeting in Strumitsa, denied that there was any kind of connection with some intelligence and operational activities in Macedonia or that he knew of any agent network. However, according to the nature of his service and the position that he had, that is not possible. What is more significant, he said that as far as he knew, in connection with "Opera," and what he heard about it through the media, his service in any case was interested in Slovenia and Croatia and not in Macedonia. In the meantime, as we have learned subsequently, in the opinion of Lozanovski (possibly because Lozanovski was discovered and sentenced to a first-degree sentence of 18 months), Vasilevic's deputy, in a "specific" place he said he had read, that is, he knew of some reports "concerning this colleague of the Security Agency of the JNA called 'Vodno'."

As opposed to this, however, there is evidence of the path of Tumanov and Vasilevic in Bitola, of a meeting with Lozanovski, although they do not recognize him! And this just from the time when he had completed the known meeting in Shtip with the former Minister of Internal Affairs Jordan Mijalkov (VECER published a photograph of the happy threesome).

Box, p 10]

Members of the Sabotage-Terrorist Unit of the JNA Formed in the Republic of Macedonia

- 1. Martin Pispetski, major
- 2. Petar Guran, lieutenant, requested employment in the units of the ARM
- 3. Mladen Buric, lieutenant
- 4. Marinko Buzuk, lieutenant, requested employment in the units of the ARM
- 5. Ivica Djordjevic, lieutenant
- 6. Milorad Djokic, captain
- 7. Bogdan Kenjalo, lieutenant
- 8. Zlatko Pavicevic, lieutenant
- 9. Nebojsa Andric, senior platoon commander, first class
- 10. Rade Trailovic, senior platoon commander
- 11. Zvonko Gashic, platoon commander
- 12. Zoran Ciganovic, platoon commander
- 13. Muharem Brdjakovic, platoon commander
- 14. Slobodan Teodosievic, platoon commander
- 15. Branislav Petrovic, senior platoon commander, first class
- 16. Zivko Majstorovic, platoon commander
- 17. Dejan Matic, platoon commander
- 18. Milutin Lutrov, platoon commander
- 19. Radomir Vukovic, senior platoon commander, first class
- 20. Stanimir Spasic, senior platoon commander
- 21. Goran Stoilkovic, platoon commander
- 22. N. Mitrovic, sublieutenant
- 23. Goran Sudimac, platoon commander
- 24. Saso Mitseski, platoon commander, requested employment in the ARM
- 25. Milance Milojevic, platoon commander
- 26. Zoran Topalovic, senior platoon commander
- 27. Mile Uzanovic, senior platoon commander
- 28. N. Nestor, senior platoon commander, withdrew from his formation, employed in the ARM.

Serbian Leader in Macedonia Interviewed

93BA0106A Skopje NOVA MAKEDONIJA in Macedonian 13 Oct 92 p 3

[Interview with Dr. Boro Ristic, chairman of the Democratic Party of Serbs in Macedonia, by J. Mironski, place and date not given: "Serbs Do Not Wish for a War in Macedonia"]

[Text] The party's main objective is to work for the protection of the national identity of Serbs in Macedonia and to participate in the government. Other groups enjoy rights that are denied to the Serbs

Serbs and Montenegrins in Macedonia are organized in a number of associations and unions and in a political party—the Democratic Party of Serbs in Macedonia. The oldest association is the Association of Serbs and Montenegrins in Macedonia, followed by the Association of Serbs; the Association of Serbs, Montenegrins, and Macedonians, and so on. Subsequently the first political party was founded—the Democratic Party of Serbs in Macedonia, whose objective is to struggle with political methods for the exercise of collective and civil rights of Serbs in Macedonia. This was stressed in a discussion on the functioning of the party in the Republic by its chairman, Dr. Boro Ristic, professor at the School of Public Safety in Bitola

[Ristic] The reason we did not participate in the first parliamentary elections is that at that time our party had not been founded and we were acting through the leftist parties. However, these parties betrayed the voters, which is the reason we decided that the Serbs should found their own party. Our main objective is, above all, to work for the protection of the national identity of Serbs in Macedonia and to see to it that Serbs have their representatives in the state in order to be able to protect their own rights.

Other groups in the Republic have rights that we do not have. For example, there is not even a single cultural artistic society, secondary school, or theater in the Serbian language, although the Serbs are very good actors. Furthermore, there is not a single, not to mention a daily, newspaper; there are no Serb broadcasts on Macedonian radio and television. All of this is available to the Albanians. Turks, and others. The issue is not that we want to organize but that it is very important for the Macedonian state to finance such activities, as it is doing for the other groups.

[Mironski] Does the Democratic Party of Serbs work entirely independently and, to the extent to which it collaborates with other parties, which parties are they?

[Ristic] This is something that the Serbs in Macedonia themselves do not understand. Based on the name, many believe that we have some connection with the party headed by Micunovic—the Democratic Party in Serbia, which has now collapsed, or with other parties. I can tell you that we have no connection whatsoever with these

parties or any other party. In general, we have no contacts with anyone else. We are an entirely native party of the Serbian people in Macedonia. We have no connection with the other parties nor are we an extension of any other party.

As to contacts within the Republic and the attitude of the party toward other associations, we essentially cooperate with them. Of late, however, there have been some disagreements with the oldest Association of Serbs and Montenegrins, because according to them there should not be a political party of Serbs in Macedonia. However, this is a very small group consisting of only a few people, and the clamor raised on this issue is excessive.

[Mironski] Could you tell us what political parties have a program similar to yours?

[Ristic] In Macedonia we are cooperating with the socalled pro-Yugoslav parties, for our program calls for the implementation of the second part of the referendum that was held. This includes the Party of Yugoslavs, the SKM [League of Communists for Macedonia]-Movement for Yugoslavia, the Christian Democratic Party, and others. We are in touch with those parties and our program is similar to theirs. We may also form a coalition with them.

Detrimental to the work of the left-wing parties is the fact that currently each one of them acts separately and does not synchronize its efforts with the others. Yet it would be possible to create a larger coalition among a so-called party bloc in order to hold power.

[Mironski] At one point the public was concerned by some statements about establishing an autonomous oblast of Serbs in the area of Kumanovo and Skopje Montenegro in Macedonia, which was denied by your party. What precisely was the issue?

[Ristic] Let us first try to determine somewhat more thoroughly the reason such trends appear. It is a known fact that the Constitution does not speak of the Serbs; they are not considered a nation or a nationality. Therefore, their status and their situation have not been defined. Neither our party nor, I believe, the Serbian people raised as a major issue the fact that we were the biggest losers and that from a status of nation we were assigned another status, that of nationality. What we are struggling for and would like is to have the same status as that of the groups of Albanians, Turks, Wallachians. Gypsies, and so on. Naturally, in such a situation, trends appear, whether isolated or not, aimed at achieving some objectives that may be unattainable at that point. For example, the people see what the Albanians are doing. They promoted a referendum, and as to whether it passed or not it is another question, but the people say that the Albanians will set up some kind of autonomous republic. This leads to the tendency on the part of some

isolated individuals or groups for the Serbian people to aim at something similar. As a party we not only distanced ourselves from such trends, believing that at this point this is not suitable, but also neutralized such demands within our own ranks—despite the fact that malicious efforts were made by some individuals to blame us for such activities.

[Mironski] All such manifestations in former Yugoslavia led to war. The question is inevitable: Is there a possibility that the war will spread and that a so-called southern front will be opened?

[Ristic] I can tell you that our leading politicians say that a war may break out essentially because of the blockade and nonrecognition. I can tell you that in Macedonia there is no war and there will be no war. In Macedonia there may be poverty, difficulties, and hunger, and standards may worsen. However, here the people are not in favor of war. Above all we. Serbs, do not wish a war in Macedonia despite the fact that the entire world believes that we are carrying a battle flag. I repeat, Serbs in Macedonia do not wish war Probably neither Macedonians nor Albanians have ever fought unless they had some kind of support from the outside. It is usually being said that the Serbs are the ones who will trigger a war, but, as I already mentioned, we do not wish war here. I believe that if we do not want a war then there will be no war.

[Mironski] What is your view on the likelihood of a broader international recognition of the Republic, and what do you think about the dispute concerning the name Macedonia?

[Ristic] This, above all, is a matter for the Macedonian people. However, I believe that one should be flexible and avoid the creation of tension. There is no problem about the de facto existence of Macedonia, and as to de jure, this is irrelevant. It is frequently being said that Yugoslavia does not exist, whereas, de facto, Yugoslavia does exist regardless of whether it is called the Socialist Republic of Yugoslavia or not. De jure, it is not a member of the United Nations. However, these are matters affected by current global relations.

However, what the Republic needs now is new elections. The people demand new elections, and this does not require the gathering of signatures or referendums, which may prove to be more expensive to hold than the elections themselves. It is known throughout the world that once the population's standard of living declines the government calls for elections. We must draft the electoral law, and I can tell you that for us, as a party, the type of electoral system that will be adopted is important. We find as most suitable the proportional system, which would ensure every group participation in the government.

Macedonian Justice Minister Interviewed

93BA0026A Skopje NOVA MAKEDONIJA in Macedonian 28 Sep 92 p 3

[Interview with Tuse Gosev, minister of justice and administration, by L. Kitanovska; place and date not given: "Improved Judiciary With Precise Duties"]

[Text] A conversation with Tuse Gosev, the minister of justice and administration.

"A truly independent judiciary requires precise organization, a permanent mandate, and strict criteria for selection of judges," says Gosev, "which is completely in line with the project of the previous members of the government."

The rule of law is a necessary prerequisite for any legal government. However, in order for it to function as it must, it is necessary for an important condition to be fulfilled. Good organization of the judiciary and proper arrangement of the other legal bodies in the system can be the only basis on which order will be built.

And yet, the attitudes of the new government toward these questions provides reason for us to believe that the problem is understood with all seriousness. A basic occupation of the Ministry of Justice and Administration recently has been rereading the draft laws that were proposed by the team in the previous administration, and emphasis is being placed on the law on the courts, which has to be a basic element in the package of laws that has to come to the Assembly with a new signature as soon as possible. We are discussing with the new minister of justice and administration, Tuse Gosev, the direction of thinking and whether there will be changes—that is, shifts—from the course already planned. With respect to the concept of the legal system that is taking root in our country, Gosev thinks that everything is completely clear from the adoption of the Constitution. Basically, there are two such concepts in the world: the Anglo-Saxon and the Continental. In Article 103 of the Constitution it is seen that the Continental concept is adopted, which is to be translated as meaning trials in councils. In the Anglo-Saxon concept the trial and grand juries hear cases. Our technical legal knowledge of writing the laws accepts a European model of organization of the entire judicial system. That which "was going around" in our country in recent months was based on the Spanish model supplemented by the Croatian model and is based on respecting the constitutional defi-

[Kitanovska] Does this mean that we are in line with the great concept of an independent and free judiciary?

[Gosev] Surely, but in order to be able to accomplish this the judge has to be chosen to serve until the end of his work life, so as not to be dependent on politics or on political associations. Only the Judicial Council may, in a proceeding that is envisioned in the Law on the Judicial Council of the Republic, pronounce a disciplinary measure against a judge or propose to the

Assembly that the judge be discharged because of disrespect for the judicial function or for acting outside of the Constitution, the laws, and the international treaties ratified in accordance with the Constitution.

[Kitanovska] However, in addition to the permanent mandate, for a judicial function so conceived, it is necessary to have legitimate and fair judicial proceedings. How can this be accomplished in our conditions?

[Gosev] What is being done is closely and mutually interwoven. According to the law, a judicial proceeding means a conscientious and consistent application of the legal regulations to an indefinite number of cases that will take place in the future, and justice means that the court will act identically in identical cases. More elements are needed for a legitimate judicial proceeding. These elements are: the professionalism of the judge, i.e., his knowledge of the laws; confirmation of the material truth in given cases which should be judged according to the laws, the Constitution, and the ratified international treaties that cannot be changed by laws; participation of the public in the pronouncements of the measures of the court, which is in essence the role of a jury; as well as openness of the judicial proceedings. These are the basic preconditions for establishing an independent judicial function. We envision three types of courts—lower, superior, and a Supreme Court of Macedonia, in order to implement this concretely.

[Kitanovska] This does not deviate from the organization that was proposed in the text of the law on the courts, which has moved to the draft phase in the Assembly. Is there any difference between this version and your version?

[Gosev] The difference is, perhaps, in the most essential thing—in the reliability of the courts. We are considering a positive enumeration, which means that we state precisely what each one of them is responsible for. This avoids the possibility of conflict in the execution of the judicial function, which often happens when only the basic indications for authorizations are given. What is new is that now, at the first instance, the lower courts make decisions for the protection of human rights, and on the longer list extrajudicial matters are handled, such as executing, ensuring, and authenticating title deeds and registrations—if other bodies and institutions are not made legally responsible.

[Kitanovska] Up to now there has been no law to transform the courts into a judicial civil service because the flow of this administrative work was enormous. Does it look like something will be changed in this regard?

[Gosev] The possibility that we envision in the law on the courts we are making operational at once by preparing a law on notarial matters at the same time. On the one hand, this gives unemployed jurists a chance to create companies for performing such matters, it expands the activity of the lawyers, and the courts are freed of an enormous, unnecessary burden. At the same time, this is an enormous possibility for improvement.

[Kitanovska] Is improvement in relation to handling legal records envisioned because this now is performed by the socialized Economic Court? And in the future is it envisioned that this will pass to the jurisdiction of all lower common courts?

[Gosev] We thought that management of legal records could be completely transferred to a department of the Supreme Court, and the work can be performed with a computer. In the end, however, a compromise decision was reached—three courts instead of the previously stipulated 28 will keep legal records. For the jurisdiction of the three Superior Courts in the Republic, there will be the lower courts in Bitola, Shtip, and Skopje I.

[Kitanovska] Does this represent a definitive decision for eliminating the economic courts?

[Gosev] Yes, and for many reasons. First of all, because of the changed social situation. The citizen is an actor in the marketplace; he cannot be a participant in a proceeding before the Economic Court—that would not be logical. However, those who argue in defense of the Economic Court cite the 80,000 entities remaining in their jurisdiction, but 40,000 are of little value. Only with an increase in limitations in the law on trial proceedings can this number disappear at once. There are 15,000 entities connected with the other republics. There is a real chance that these cases will be solved with the succession. Actually, there are around 12,000 to 13,000 entities properly subject to the Economic Court in different places; these will easily be distributed among the 28 courts.

[Kitanovska] What is the situation with the criteria for selecting judges?

[Gosev] The only innovation that we are introducing is the specification. Now we stipulate specific job experience (three years of legal experience for a judge in a lower court and seven years for a judge in a superior court), which has confirmed results. In the meantime, we have not yet determined who is to make the evaluation. Likewise, now it will be possible for a professor who has taught legal subjects for 10 years continuously to be selected as a judge in the Supreme Court.

Albania's Berisha on Situation in Macedonia, Kosovo

93BA0199C Ljubljana SLOVENEC in Slovene 11 Nov 92 p 2

[Interview with Albanian President Sali Berisha by Slovene journalists, summarized by Marjeta Simunic: "A Sovereign and Whole Macedonia Is Also a Condition for Peace on the Balkan Peninsula"]

[Text] Yesterday, after the conclusion of an official visit to Slovenia, Albanian President Sali Berisha, at a very well-attended press conference, also answered numerous questions from Slovene journalists. In response to a question from the undersigned about whether he thought that the recent incidents between residents of Albanian nationality and the Macedonian police in Skopje were perhaps also encouraged by Serbian and Greek provocateurs, he answered:

[Berisha] Those events in Skopje are linked to a desire to destabilize Macedonia. I think that it is a product of those forces which would desire infiltration by Serbian interests in that republic. It will be very difficult for Macedonia to free itself from the latter. In spite of all of President Kiro Gligorov's attempts to avoid it, I am afraid that it will be very difficult to prevent it.

[SLOVENEC] Did you also talk with the Slovene side about the position of the numerous Kosovo Albanians who live and work in Slovenia?

[Berisha] During my visit, I also spoke with Albanians who live in your state. They told me that they feel completely free here and that they live in coexistence with the Slovene people. I also asked the Slovene authorities whether some students from Albania could receive an opportunity to study at your higher educational institutions, and we would accept yours. Let me emphasize once more that I am delighted that the members of my people in your country have a free life the same as Slovenes.

[SLOVENEC] How would Tirana react if Serbian interests succeeded in causing the same kind of tragic war in Macedonia as in Bosnia-Hercegovina? When will your state recognize Macedonia?

[Berisha] Any attack against Macedonia would mean a new Balkan war. That course of events, however, would also create different positions and new alliances.

Albania has admittedly not yet recognized Macedonia, but you may be assured that its borders are inviolate and secure on our side. I also assured Macedonian President Gligorov of this.

[SLOVENEC] What do you think about Kosovo's independence? How do you view the position of Albanians in Montenegro?

[Berisha] Kosovo is still part of Serbia now. The further course of events depends upon resolving the position of Albanians in that region. In the present situation, it is necessary above all to do everything possible to prevent a military conflict in that part of the former Yugoslavia. That is why I am advocating its demilitarization. When we achieve that, we will create possibilities for further talks on the status of Kosovo.

Our state supports the independence of Montenegro, which should decide for itself who it wants to be allied with

In spite of the well-known political problems, we very much appreciate and respect its history.

Democratic Party Holds Preelection Convention

93BA0199A Ljubljana DNEVNIK in Slovene 7 Nov 92 p 4

[Article by Meta Roglic: "Who's Afraid of the Ladybug?"]

[Text] The Democratic Party's preelection convention took place yesterday in Ljubljana; "the party of people with clear views and values, open to new ideas."

Ljubljana, 7 Nov-At the Democratic Party's preelection convention, which lasted for more than five hours. those assembled gave almost 100-percent support both to the party's candidates for the State Assembly and to the candidates for the State Council and their candidate for republic president, Jelko Kacin. The first five places on the Democratic Party's national list of candidates were occupied by Igor Bavcar, Dr. France Bucar, Dr. Dimitrij Rupel, Igor Omerza, and Tone Persak. To be sure, the Democrats prepared a coordinated list for the State Council elections together with the Social Democrats, Socialists, and Greens (some controversial points still have to be coordinated in a few hours), and the Democrats are to have seven candidates on that list. As party President Igor Bavcar said, the other two parties (the LDS [Liberal Democratic Party] and SDP [Party of Democratic Changes]) in the coalition that supports the present government did not show willingness to appear on the joint list.

We also heard several times at the convention what the "obvious difference" was. "We are a party of people with clear views and values, a party of people who are open to new ideas, looking toward the future...", as Igor Bavcar described the difference, and emphasized that "we are not liberal, Christian, national, or social, but more than that, beyond that, we are simply-democrats!" Dr. Dimitrij Rupel, the party's vice president, had already uttered some critical words of the rivals in the beginning. Specifically, several party leaders were supposed to have made mistakes that the voters would have to notice as serious violations against Slovenia's national interests. At foreigners' meetings, in front of foreign parties, they had cautioned against investing in Slovenia, which had suffered a leftist coup. "They said that they should wait to improve relations until St. Nicholas's Eve [5 December], saying that after 6 December those party leaders would be the ones in power one way or another. I said earlier that they were our rivals. They are actually our enemies. They are also something different, however-they are the enemies of Slovenia.

Jelko Kacin, in his speech, also spoke about several rivals, and chose three candidates: the supposed favorite, the oldest rival, and the youngest challenger, as well as one party, the LDS [Liberal Democratic Party]. Regarding Milan Kucan, Jelko Kacin said that "his campaign headquarters is persuading us that we actually do not need the elections, because we already have a good enough president. He does not agree with that claim himself, however. According to him, Slovenes

need an opportunity to choose between different, equally serious candidates, and that is also why he is running for president."

The LDS presidential candidate, Ljubo Sirc, lived abroad for a long time and was a top expert on communist economies. "I understand his problem, since he lost the ideal case for his studies, the joint Yugoslavia. I think, however, that I will not have to make any special effort to keep Mr. Sirc from studying Yugoslavia from the position of the president of independent Slovenia.... With respect to Ivo Bizjak, he emphasized that he was not a Slovene Bill Clinton, to whom he was obviously comparing himself. He is not even close to Bill Clinton in terms of his approach, even less so in his program, and least of all in terms of his party. Jelko Kacin also dwelt on the LDS's advertisement, and especially on the green ladybug that is obviously the only one upsetting and frightening the little man in the advertisement and confronting him with reality.

Security Service Allegedly Plots Against SNS

93BA0199D Ljubljana DELO in Slovene 10 Nov 92 p 2

[Article by Vinko Vasle: "The Security-Information Service Is Supposed to Have Hatched a Plot Against the SNS"]

[Text] The defendants who accused SNS |Slovene National Party| President Zmago Jelincic, who have been in jail for two months, completely changed their statements during the investigation; who is the mysterious Dusan?; "a political matter and state terrorism."

Ljubljana, 9 Nov—"Crown witnesses" Andrej Sisko and Matjaz Jeric, who made serious accusations against SNS President Zmago Jelincic during a police interrogation after their arrest at the end of August, changed their statements in front of the investigating judge in Maribor; this means a big reversal in the proceedings against Jelincic.

At today's press conference, Zmago Jelincic said what has now been stated at the hearing by the defendants, who have already been in jail for more than two months. He presented the reporters with transcripts from the hearings of Sisko and Jeric, who have accused the Security-Information Service [VIS] of the Slovene Interior Ministry of being responsible for the events of this August (the arrest of Jelincic and several other SNS members, the accusations of preparations for organized attacks against several Slovene politicians, the bomb planted in the automobile of Miran Klement of Maribor. etc.). Although the defendants are in jail and have not had any opportunity to contact each other since the arrest, Jelincic said, before the investigating judge they stated completely identical versions of the events that led to Jelincic's arrest on 27 August 1992.

At hearings in October and November 1992 the defendants told investigating Judge Peter Grdinic that their original accusations against Jelincic were not true. To

put it simply: Zmago Jelincic was not the one who delivered any kind of explosive to them, or material from which they were supposed to assemble a bomb and plant it in M. Klement's automobile. This was allegedly done by the VIS, and all of this was allegedly staged in order to discredit Jelincic and his party in the upcoming elections. This is also evident from the minutes of the hearings, which were presented by Jelincic at the press conference.

Andrej Sisko and Matjaz Jeric said that at the beginning of August 1992 they came into contact with a certain Dusan, who represented himself as a VIS employee. During their first meeting in Nazarje (where Jeric is also from) he also showed them official identification. It is interesting that in separate proceedings the defendants described Dusan in almost the same way, and that they both claimed that the mysterious Dusan knew virtually everything about them, and also knew the same about their relatives and girlfriends. At that first meeting, he also told them that he knew about their cooperation with Jelincic, but at that time it did not particularly interest him. Since the defendants also allegedly knew a great deal about the forged tolars as well, he only suggested to them that in connection with this they continue to cooperate with the Maribor police detectives. It was only after their third meeting that Dusan told both of them that they were essentially involved in preparations through which the SNS and Jelincic himself were supposed to be politically discredited and neutralized. In front of the investigating judge, both Jeric and Sisko denied the statements that they made immediately after their arrest, according to which Jelincic had supplied them with the material for the explosive device and also instructed them on how to manufacture the device and install it in M. Klement's car.

"VIS employee Dusan told us and instructed us on what we were supposed to say to the investigating judge in connection with everything that concerned the manufacture and planting of the explosive device. It was all done so that this device would be found in Maribor resident Klement's car and then used, along with the rest of the evidence... against the accused Jelincic, with the purpose of neutralizing him in the upcoming elections," Sisko told the investigating judge, among other things. The jailed Jeric also said very similar things.

They both allegedly only learned about that method of discrediting Jelincic at the last meeting with Dusan in Pohorje at a certain abandoned farm.

"Dusan suddenly told us there, 'At this time they have probably already planted the explosive device in Milan Klement's car in Bresternica.' That was the first time he had mentioned Klement, and so we were both shocked. I asked him what they were up to, and in doing so I had the VIS in mind. He told us that we did not need to be concerned about anything, saying that the bomb would not explode...." Andrej Sisko stated, according to the minutes.

"When I asked him what the intention was in planting that bomb, he told us that it was with the intention of having the bomb found and used as 'evidence' against Zmago Jelincic, in order to neutralize him in the upcoming elections. He likewise said that everything had been prepared in such a way that Matjaz and I would be the perpetrators of that crime. He even mentioned that we did not have any alibi, since we were outside then. I must say, however, that he particularly emphasized to us that we did not have anything to be afraid of, and said that nothing would happen to us.

"He also informed us that the police would come for us and that we would also be jailed, but that we would be in jail for 14 days at most, until they locked up Jelincic. He likewise told us on that occasion that in court we had to tell the judge how this business was supposed to have happened, which he then explained to us in detail. He likewise told us that we should not hire a lawyer until we had given complete statements, and then we could. He similarly described to us what that 'bomb' supposedly looked like, what it was made of, and especially how it was attached to the door and that the door was not completely closed."

Sisko then described to the investigating judge in detail what Dusan allegedly taught them. They both agreed to cooperate in this matter because they were facing serious threats. Specifically, Dusan allegedly threatened them that otherwise something bad could happen to them, their relatives, or their sweethearts.

"In addition to this he mentioned that someone could inform the Croats who were distributing the counterfeit tolars that I had set a trap for them with the police," Sisko said.

Both defendants also said that while in investigative detention they felt particularly threatened by the VIS.

"Especially because I said something that I should not have," Sisko said, and stated that one of the prisoners had already threatened to kill him. In response to a separate question, Sisko decisively said "that it was all set up by the police and the VIS in Ljubljana."

And what does Zmago Jelincic say about all this? At the press conference he said that it was a very political matter and state terrorism, directed in this case against the SNS.

In response to a question about how he had obtained the materials, i.e., the transcripts of both defendants' hearings, Jelincic answered the journalists by saying that he did not yet want to talk about that then. As for the mysterious Dusan, they are already gathering information, and some of it is very interesting. Jelincic also said that one of the two defendants had already tried to commit suicide while in investigative detention, and both felt that their lives were in danger. He also added that he had met Jeric and Sisko shortly before last year's war in Maribor, where they went together with Ivan Borstner, and that they were organizing an intelligence service in that part of Slovenia. In this regard they also came into contact through the Samo movement, which Andrej Sisko headed.

Croatian Ambassador Presents Credentials

93BA0199B Ljubljana DNEVNIK in Slovene 10 Nov 92 p 24

[Unattributed article: "Croatian Ambassador to Slovenia Presents Credentials"]

[Text] Ljubljana, 10 Nov—Yesterday Croatian Ambassador to Slovenia Miljenko Zagar visited Slovene Foreign Minister Dr. Dimitrij Rupel and delivered to him copies of his credentials. Today he will be received by President of the Slovene Presidency Milan Kucan. Miljenko Zagar will formally deliver his credentials to him.

Croatian Ambassador to Slovenia Miljenko Zagar was born in Zagreb in 1938, attended a traditional secondary school in Zadar, and received a master's degree in theology, philosophy, and economics in Zagreb. From 1963 to 1971 he was mayor of Zadar, and an instructor at a higher theological school. He was involved in publishing, and intended to establish a Croatian Catholic radio and television station in Zagreb, but in 1971, because of "personal and principled positions after the second Vatican church assembly," he fell out with church organizations. He left the church service, soon afterwards married, and five children were born to him in wedlock. He was employed as a translator at Croatiatrans, and was then involved in translating, editing, and reviewing books. Finally, he was the director of the Jumen medical publishing firm. In political life, he was active in the Croatian Democratic Community, in which, as its chief secretary, he became one of the principal people in the strongest political organization in Croatia.

Effect of Sanctions on Novi Sad Enterprises

93BA0202A Novi Sad DNEVNIK in Serbo-Croatian 8 Nov 92 p 8

[Article by Milan Uzelac: "The Firms Are Eating Themselves Up"]

[Text] In the first six months of this year, industrial output in Novi Sad is down one-fifth from the same time last year, but at the end of the third quarter the drop was almost 40 percent. The datum that industrial output fell all of one-half between this October and last October bears witness that an economy that is nevertheless under sanctions, however it may wriggle, cannot hold out for long. And the forecasts of all business executives are that it will be still worse this month.

Accelerated Movement Backward

"All the business executives in the city and indeed the region unanimously say that it is not possible to live with the sanctions and that if they remain in place another few months everything will come to a halt," says Jovan Avramov, president of the Novi Sad Regional Economic Chamber. "According to expert estimates, every month under the sanctions sets us back at least a year and they

could easily last several more months. Even without wanting to, we would experience a kind of time travel and would go back a decade. Something else that is precise is the datum that industrial output today is not covering even simple reproduction, and enterprises have begun to eat up their fixed capital, or, as the vernacular would have it, they are eating up themselves. It is clear that soon they will all arrive at the zero point."

This is in fact illustrated by the datum that Novi Sad enterprises either have no inventories or they have dropped to half of total output. Were it not for the sanctions, and if the coefficients of turnover in our enterprises were not on the average three years, but at the level of Japan, where it is 100 or more, that would be excellent. This way it is clear that less and less is being produced, but that it will be difficult even when the sanctions are removed. After all, it will take quite a bit of money to get production going again.

"Because of the shortage of petroleum and gas, many factories have these days been compelled like the Beocin Cement Factory to shut down production completely and send the workers home on mandatory leave," Avramov says. "About 10 years ago, the city's enterprises turned to gas as the principal source of energy because of economic efficiency and its environmental advantages. New modern technologies were also based on it. According to economic indicators, Novi Sad's economy is somewhere in the middle of the Vojvodina economy."

Up to now, Novi Sad enterprises have not turned to the Reserve Fund of Serbia to pay wages and salaries; that is, they have somehow provided the money themselves. However, now more and more of them are beginning to seek wages and salaries from the reserve fund. The money of that fund must also be returned, but the 16-percent interest is nevertheless far below the interest rate on the money market, which is 70 percent per month.

"The sanctions have inevitably frozen economic relations with foreign countries as well," Avramov says. "At one time, the annual value of imports and exports of the city's economy was \$1 billion, but this year not even one-fifth of that sum. And what has been accomplished was mainly in the first five months, before the sanctions were put in place."

The Squeeze From the Freeze

The managing directors of large Novi Sad production collectives confirmed that there is no life under the sanctions for the economy of Novi Sad, which in fact has comparative advantages over others in Vojvodina and indeed in Serbia—the proximity of the international highway E-75, the Danube, and the concentration of specialists.

"The best way to put what is happening to our factory, but other factories as well, is that the freeze is squeezing more and more and soon everything will give way," says

Petar Ardan, director of Jugoalat, "How could it be good for us when even the large stores which sell our goods have all they can do to pay wages and salaries? Because our factory is only a supporting service for machinebuilding, it is clear that when FAP and Cryena Zastava are idle, when the former market of the former SFRY has been shattered, and there are no exports, then Jugoalat has no one to whom to sell its goods. We naturally have been trying to reorient production toward those who are still in operation, but it all goes hard. So far, we have somehow managed to pay wages from our own resources. but to meet this payroll we will have to turn to the Serbian Reserve Fund, because we will not have enough money. Foreign trading partners owe us \$100,000, and we still have goods worth \$250,000 in inventories for customers abroad, but what good does it do us?

"We are obtaining some of the raw materials from consignment warehouses, but these are goods acquired before the blockade, and their price has been changing practically every day.

"At this moment, only about 500 of Jugoalat's 1,500 workers are at work (in better times the factory employed 2,000). The rest are on mandatory leave, and, depending on the particular company, they are receiving wages and salaries which are not below the legal minimum.

"It is clear that there is no life under the sanctions," Ardan says. "The trouble is that the workers have become apathetic, irritable, and bad-tempered, and that is certainly having an impact on work performance."

The Sanctions Have Dragged On

There is no life without investment. At Novkabel, which is Novi Sad's largest factory in the size of its labor force, virtually half of the employees are not coming to work.

"Out of 3,900 workers, we have been forced to send 1,500 home on mandatory leave," says Djordje Siradovic, Novkabel general director. "True, we are trying to send different ones home every month. Our plants are operating at between 20-and 40-percent capacity. Our trouble is that we have not only lost important foreign trading partners, but we have stopped all investments. No investment is being done, and even large systems like the post office, the electric power industry, and the railroads do not have money. We might be covering all of Serbia with up-to-date optical cables and guaranteeing a quality telephone network, but we cannot produce without getting paid. Much the same is true of our power cable, which would prevent the power network from breaking down, but...."

As Siradovic says, when the sanctions were adopted the first demand was for the economy to adapt to three months of life under them.

"Now it is clear that it seems we must learn to live under them longer, but that is impossible," Siradovic says. "If they persist, I think a quiet death awaits us. Another trouble is that social welfare policy has remained in enterprises. It is encouraging that we have remained in constant contact with our long-term foreign trading partners, who assure us that we will resume cooperation as soon as the sanctions are lifted. In any case, since even if a few trucks get through, it is like feeding berries to a hungry lion."

As of the first day of this month, many enterprises have initiated large-scale mandatory leave. Thus, most of the workers of NIT are on mandatory leave. The same thing is being prepared for the entire production operation and many sales personnel in Novitet. According to predictions of the management of that factory, production will resume by the end of January at the latest. That factory is also troubled by the lack of money (which has been frozen in inventories), by the limited nature of the market, and the impossibility of exporting. In happier times, they exported as much as 70 percent of their output.

[Box p 8]

Mandatory Leave Is a Part of Our Everyday Life

According to figures of the Regional Economic Chamber, in many enterprises some or most of the workers have been sent home on mandatory leave. Their earnings are paid them according to statutes, and we recall that the minimum is 65 percent of the price for the simplest work.

At Petar Drapsin, 80 percent of the workers are on leave, in Jugodent 100 workers are working out of 900, while in Autokaroserija 120 come to work. At Standard, 165 are on leave, or slightly more than half of the labor force, in Agrohem 382 are on leave, and in Novotrans 230 out of 560 workers. At Heroj-Pinki, 250 are on leave, and as of 1 November all 110 employees in Vez i Rublje are on leave, 143 are on leave at Novomont, and 30 percent of the 1,116 people employed in the Novi Sad Railroad Transportation Enterprise are not working. There is evidence that things are not good even in commercial enterprises because exactly half of the 180 people employed in Kooprodukt and 200 in Centroslavija are on mandatory leave.

According to estimates of the trade unions, about 25,000 of the city's 127,000 employed persons are on mandatory leave, but even this should be taken with reserve, because the situation is changing for the worse every day.

Causes of Coal Shortage Detailed

93BA0200A Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 2 Nov 92 p 15

[Article by D. Nedeljkovic: "Ration Coupons on the Horizon"]

[Text] After ration coupons for petroleum products and the government's decree restricting electric power consumption, all that is lacking now is a statute that would introduce ration coupons for coal. The administration is sluggish, it is often late to react, but it is still consistent. and we should expect that kind of statute in the near future. Toma Mitic of Agroinvest in Nis (which also deals in coal) is for that matter urgently requesting this: Describing Nis' energy situation as winter approaches as hopeless, he literally says "at this moment coal is not a commodity, but a general public resource which should be distributed in a planned way." Hospitals, schools, institutions, and citizens of Nis will have nothing to heat themselves with this winter according to him, because Nis has "obtained" only 44 percent of the coal it needs this year. Nor is Belgrade, the largest consumer, in a better situation; according to statements from its suppliers, Iskra and Kopanik, it has received 48 percent of last year's amounts. As an illustration that the situation is similar in all the cities large and small, take the statement of Jefta Crncevic of Sombor, who says that that city possesses only one-fifth of the coal it needs.

The figures were presented at a meeting in the Economic Chamber of Yugoslavia, which on the threshold of the heating season was supposed to examine the situation (more accurately, the problems) in the production, transport, and distribution of coal. The list of problems turned out to be inexhaustible, some will not be taken care of for years, but however much the list is reduced to those priorities that are urgent this very day, there is not enough coal. There is nothing left but to look skyward and hope for its blessing—a mild and brief winter. As Crncevic of Sombor says, the forests along the Danube are being cut on a large scale because of the tragic fuel situation. That seemed to give those present the idea of providing more firewood in other cities and settlements in the interior, while Belgrade and certain major cities could cut down the trees in the parks.

When you compare the figures on coal production and the announced results to the end of the year with what the suppliers of the cities present, there seems to be some confusion. The coal mines are among the rare producers in industry who have approximately the same output as last year, and in September they even exceeded last year by about 3 percent. When you bear in mind that production is rapidly falling in all branches of industry, in some even to one-third of what it was last year, the mines have obviously managed to maintain a relatively high level. How, then, is it possible that there is no coal? The riddle is easy to solve—until this year, consumers in Serbia have been supplied with the better-quality coal for institutional and residential consumption from Bosnia,

and sizable quantities were imported. When you add together the approximately two million tons of coal that came from Bosnia and the 300,000-400,000 tons imported, it is not difficult to see why there is a coal shortage. And it is the better-quality coal that is missing, coal suitable to be burned in small industrial plants, municipal heating plants, and direct consumers. Most of the coal produced in Serbia and Montenegro is being used in thermal electric power plants, and mainly we are talking about raw lignite.

The problems of the coal mines have been piling up in the last several years and postponed, but by no means resolved. Starting with their economic position in primary distribution, and then development projects, all the way to the wages of employees. This year, new troubles have been added to those chronic ailments: There is no fuel to operate the power machines of the mines, there is a shortage of production supplies such as explosives, wood and steel supports, replacement parts (no one seems even to be thinking about equipment, especially new equipment), there is a shortage of railroad cars to ship the coal to consumers, and now the mines are having a struggle even with their manpower (a number of miners have quit since the war in Bosnia). Under pressure from losses and illiquidity, the mines have not been meeting their obligations, and almost all the coal produced is collected for in advance just to make the payroll. Now there is a new fad: Coal is being exchanged for petroleum, if someone has it, vegetable oil, sugar, or some similar product. Improvisations of this kind, of course, have their price. Because there is no fuel for the draglines and bulldozers, the mines are doing only the most necessary jobs, which means that in strip mines they are neglecting the stripping and preparation of production and concentrating on digging the coal. In the near future, the operations being neglected will stand in the way of maintaining the level of production, but today there is no time to think about tomorrow, much less a year from now. Fuel, coal cars, production supplies are becoming the bottleneck for most of the mines and threatening to bring production to a halt right in the middle of the season of peak consumption.

Crisis command centers were formed in almost all cities several months ago. All forms of energy, whether it be petroleum products, electric power, or coal, are in short supply, supply for the winter ought to be "organized" on the basis of ration coupons and restrictions. The situation in Belgrade can provide a vivid illustration of the effect of those command centers. Back in June, the Belgrade Crisis Command Center asked the banks to grant advances to the mines so that they could increase production, but the banks issued credits to individuals to purchase coal which does not exist. Storage facilities are emptier than ever, prospects of coal arriving are negligible, but the heating season is beginning. In Sombor, a storage facility has been built with all the proper devices, scales, concrete-paved unloading areas, water, and power, but it all has an empty ring-all the coal that arrives is sent directly from the car or the truck to customers.

From time to time, the public is still being given some hope that petroleum products will be imported "for humanitarian purposes," there is more and more being said and written about the petroleum market calming down, i.e., large quantities are being purchased in spite of the embargo. But the news coming in from the electric power industry about the possibilities for heating this winter is not exactly encouraging, and now the coal mines are also saying that they are not able to provide the necessary fuel. It seems that the British minister's prophecy to the effect that the Serbs would feel the sanctions this winter will be fulfilled. And the government, very tardily it seems, is realizing that winter is approaching and is taking whatever measures it can-it is printing ration coupons and prescribing restrictions, it is threatening penalties and shutoffs, it is calling upon neighbors to spy on one another and report those who are staying warm.

DEPOS Issues Economic Declaration

93BA0211C Belgrade POLITIKA in Serbo-Croatian 6 Nov 92 p 8

[Article by B. Jager: "Patriots Seeking Profit"]

[Text] The economic declaration of DEPOS [Democratic Movement of Serbia] embraces ideas from the economic programs of most of the political parties with a democratic orientation and constitutes a watershed between the existing system, which establishes a centrally planned economic model and the model to which democratic Serbia aspires, with a market economy based on private ownership.

In presenting the declaration at yesterday's press conference. Vladeta Jankovic explained that it will not be difficult to use this as the basis for drawing up a specific economic program, which will happen if DEPOS decides to put forth a slate in the upcoming election. It will be a reconciliation of the programs of the parties making up DEPOS, and the incumbent regime, with its destruction of the economy, has done its part in diminishing differences among those who see the future of the economy differently, so that they can easily be removed.

he sanctions are only an excuse for the incumbent arty, which essentially committed itself much earlier to ie model of an administered economy much more reminiscent of Latin American models, because the government, the underground economy, and the Mafia are firmly bound up with one another, Dr. Dejan Popovic recalls. The purpose of the declaration is to expose the interest of a sizable number of false patriots to constantly maintain the tense atmosphere in society, which favors a continuation of the international blockade, and this in turn affords a state of affairs in which profit flows into the hands of a few corrupt politicians and false businessmen, Dr. Danijel Cvjeticanin said. It is not a question of deviant phenomena at all, as they would like to represent it, because that is really the way the incumbent party imagines economic

life taking place in Serbia. In the administered economy, personnel policy becomes the principal form of economic policy, following the principle of "have your man in the right place," and such people, according to him, have the paramount task of ensuring that the profits, more accurately dinars and foreign exchange, flow into several accounts within the country and abroad.

In answer to the question of how ready the electorate really is to accept the radical changes offered, the reply was that the moment of rendering accounts is approaching, and it will demonstrate how nonsensical hyperinflation is as a method of financing the deficit, social peace, and survival. According to Dr. Vladeta Jankovic, the present regime came to power and has held it thanks above all to the outlook of those strata which simultaneously had one foot in the factory and the other in the peasant village.

When today 80 percent of the factories are standing idle and not operating, these people have lost the pocket money represented by their paycheck, and because agricultural production has been ruined, it is almost certain that these products will be requisitioned at fixed prices, and so they will also lose their favorable attitude toward the policy of the current government. That segment of the electorate, if an election occurs, will no longer have a reason to vote for the same government, Jankovic believes.

'Trap' of High Interest Rates in FRY Banks

93BA0211E Belgrade BORBA in Serbo-Croatian 6 Nov 92 p 10

[Article by D. Vucinic: "Who Profits From Chaos in the Country's Banking System"]

[Text] In Yugoslavia today, there are 95 or 96 banks: small, large, state-owned, semigovernmental, private, and mixed. There are another 25 or 26 which have already filed application for establishment.

The competent federal authorities, including the central monetary authority, either know nothing about many of them and their activities, or they learn about them from the newspapers. And often they are registered without a dinar of founding capital invested, with no reliable (professional and neutral) verification of their soundness. It is suspected that some are even engaged in activities which have nothing at all to do with deposits and credit transactions which are the main business of banks, but no one can (or dares) to even attempt to investigate this.

To be sure, even in the advanced market—that is, normal—countries of the world, banks may establish even tourist organizations and gambling casinos. All of which brings a profit. But such transactions, in England, say, if they took place without notification and approval of the central monetary authority, that is, regardless of the clear rules of the game, would be considered nothing less than a crime. Which implies that the licenses of such banks would be taken away in a trice. In our country, however, that is

not possible even in theory. Some of our banks, those which are, of course, "untouchable," whether to protect their privacy or because they have been officially or unofficially placed under republic monetary authority and the republic state rather than under the central monetary jurisdiction and state, by and large do not allow federal inspectors to even peek into their offices. Much less look at their reports, their operating statements, and the structure of their activities.

The Siphoning of Capital

Everywhere in the normal world it is well-known that a stable domestic currency is the basis of the state's stability. Someone must, of course, see to the stability of the domestic currency. But can that "someone," that is, the government, do that when someone else, that is, a state within a state, allows interest rates to be twice as high as inflation. Yet some banks are paying precisely such interest rates these days (and not just these days). Many esteemed banking and financial experts, like Dr. Branko Colanovic or Prof. Nikola Malenovic, for example, rarely refer to such banks in public as profiteers.

"One need not be much of an expert to know from what sources these banks get their capital and where those assets of theirs go, although no one has the courage or the desire to say this in public, nor to federal professional and government agencies, nor to the central monetary authority, much less to the people." the experts say.

"By contrast with us," emphasizes Dr. Branko Colanovic, a banker, "the concept of the insolvent bank does not exist in the world. Especially as something lasting. When that happens to a bank, a commissioner is sent down from the country's national bank, or it goes into bankruptcy. But look what our banks and postal savings banks are doing. It is not uncommon for people to wait at the teller's window for hours to draw from their own account the maximum allowed 10,000 dinars, and that only when and if someone has paid in that same amount of money at another window. And the 'personal balance' in the current account of the owner is stimulated with a monthly interest of 5 percent, while a rate of 53 percent is collected on a possible overdraft, the amount allowed."

Coverup

Tens of thousands of Yugoslavs are today literally surviving from the fabulously high interest rates which they have been receiving on time deposits with "Mrs. Dafina," "Master Jezda," or other well-standing private banks in Serbia. It is no wonder that the poor workers are happy about this. The wonder, however, is that the Serbian Government is not asking whether this kind of "preservation of social peace" will not soon bring grandfather's legacy to the point where the grandchildren will curse them roundly. After all, it is well-known, the miserable wages of the workers (on mandatory leave and so on) double when put in time deposits "with Dafina."

However, what the workers who are not working received previously from the enterprises is not the result of work and profit either, but the result of an order by the Serbian prime minister to some bank "of his" that is a joint stock company—be it Beobanka, Jugobanka, Investbanka, or others—to make loans to those enterprises, even if out of empty bank funds or primary issue. Which means from the capital assets of the economy. In this way, they are all eating up the principal, the so-called "substance" of the economy and the state, which will turn out to be more than disastrous for the economy and the state once these unhappy sanctions are removed, and when the state and the economy begin to do business according to the normal laws of the world market. If, of course, they ever begin to do that and if we live to see it.

Knowing all this (and we know much more that is even worse than this), a large question remains: Will it be possible to solve the problem even in this area the way the present federal government has conceived it (and no other government would probably be able to think of any much different model)? Will it be possible to place all the banking, quasi-banking, financial, and similar organizations under control of the central monetary authority (as is the case everywhere in the market-oriented world), or, in accordance with the Jovic-Bozovic recommendation, will the capital of the society and the state continue to be siphoned into personal pockets thanks to the bankers who are "at their mercy," and will this continue to be concealed from the people by means of survival on the basis of fabulous interest rates from "Dafina" and others? At the same time, preparing the voters in the coming election to decide in favor of their recommendation that Serbia will never again allow itself to be "under the protectorate of federal authorities."

High Interest Rates in Banks Explained

93BA0211D Belgrade POLITIKA in Serbo-Croatian 4 Nov 92 p 12

[Article by Biserka Dumic: "Dinar + Dinar = 3 Dinars"]

[Text] For quite a long time, Dafiment Banka and Jugoskandik have been paying interest on foreign exchange savings never before recorded in the world. Other private banks then followed their example. Now even the government banks have awakened, offering astronomical interest rates, although, to be sure, only on dinar deposits.

And while in the advanced countries interest rates are only a few percentage points per annum, in our country private bankers are paying monthly interest as high as 12 percent on those same currencies deposited in their vaults! As for the interest on dinar deposits, this is literally a general scramble to see which bank will offer the highest rate.

Are the interest rates on dinar savings, in view of the inflation which is constantly rising, too high, or do they merely protect the money deposited for a few months when over that time it can "melt away," that is, lose its value, and how are the bankers able to "cover" it, more accurately, to earn money so that they can pay it back?

Inaccurate Figures on Inflation

"Our interest rates are high compared to those in the West. But on the advanced market annual inflation is between 3 and 5 percent, while in our country it is 64.4 percent per month (about 50 percent in October). However, I feel that almost 30 percent of inflation cannot be measured, and if we took everything into account, it would be in three digits, while our interest rates are still in two digits," Branko Dragas, president of Kredibel Banka, said at the outset.

Because of that high inflation, goods become more expensive every day, and businessmen are forced to take loans from the banks at high interest rates, which they incorporate in the price of the commodity, and in this way they encourage still higher inflation. "The money which we take from savers we sell to those who need it at higher rates of interest, and that is how that money pays a return," Mr. Dragas explains, remarking that the savings of individuals in this private bank that has just opened represents only between 5 and 8 percent of the total financial potential, which means that this money is not the main source on which the bank is basing its business, and precisely for that reason Kredibel Banka is a safe bank, its president adds.

Real loans to the economy of the money individuals bring in and its rapid turnover in the course of the month represent the explanation of Milorad Nikolic, president of Karic Banka, which at the moment is offering interest rates on dinar savings which are among the highest.

First of all, although interest rates are nominally high, they are not even real. We want to protect savers against inflation, and that is why in making those loans we renounce the extra profit, that is, high interest-rate margins, Mr. Nikolic says.

As for the question of how Karic Banka manages to pay high rates of interest, Mr. Nikolic emphasizes the basic advantage of this bank. "Money invested in small- and medium-size private firms which have demonstrated exceptional flexibility in their business operation and in creation of profit. Those investments achieve a high turnover of capital."

The Secret Lies in the Rapid Turnover of Capital

"The other advantage of Karic Banka is that it is operating within the limits of the system, so that most of the investment loans go to firms within our own holding company. The advantage of that kind of investment is that the bank has direct control over the money, from the beginning to the end. And, above all, and that would be the third advantage, our company has firms in almost all the countries of the West and 11 mixed firms in the former USSR which bring in a particular profit," says Mr. Nikolic.

Mr. Nikolic also says that savings deposits are not dominant in the potential of Karic Banka, but rather the deposits of enterprises, both sight deposits and time deposits. In translation, this means that this bank is capable of covering individual savings deposits at any moment, that is, to return them.

But in the opinion of Dragoljub Vukosavljevic, president of Union Banka, the banks must nevertheless conduct a moderate interest-rate policy, because high interest rates represent a heavy burden and could put the bank in a situation where it could not return the saver's principal.

"That is why we should not scramble for high interest rates, but for safe investments. The Central Bank also has a large role in determining the level of interest on savings through its instruments—the level of legal reserves, the level of interest on those reserves, and also primary issue. The issue on legal reserves is very low (11.02 percent), when the market price of capital is about 60 percent, which suggests that the other lendings of the banks must be at a very high price," Mr. Vukosavljevic says.

It is quite accurate that the race should not be for high rates of interest, but for safe bank treasuries, especially in these uncertain times. However, those same high interest rates are attracting like flypaper all those who have money, at the price of the risk. If the bank is to pay monthly interest of, say, 90 percent, it must realize a profit of at least 110 percent, confirms Dr. Predrag Gavrilovic Jovanovic, professor and dean of the School of Economics at Belgrade University.

At a time when the economy is in collapse, how, then, are the banks managing to perform so well and at the same time pay such high rates of interest? Mr. Jezdimir Vasiljevic, who, to be sure, is no longer offering attractive rates of interest on dinar savings, but at the same time the other day increased rates on foreign exchange deposits from 10 to 12 percent when the money is deposited for 90 days, has always explained the "secret" this way: "I invest the money from savings in goods which I then sell at a higher price, and that means earnings."

Just as in Aesop's Fable

Which goods are in question is, of course, a secret, because then there would be many operators like Mr. Vasiljevic. And his major competitor, Dafina Milanovic, owner of Dafiment Banka, has said every time when the question was put to her—that she turns the capital over quickly, invests it in the right things, and that in her business operation there is no place for arms, drugs, or money laundering. We put the same question again yesterday.

"How do we turn the money over and pay such high rates of interest? That is the bank's business policy. One thing is certain: During this past year we have paid interest and principal to everyone. That is why the people trust us, and the inspectors are here monitoring our operation day and night, and we do not have any shady operations. For that matter, why not ask Mercedes how it has

managed to do business so well for so many years?" replied Rade Spasov, vice president of Dafiment Banka.

Both the economists and the bankers agree on one thing: The market is in a chaotic state and is being impacted by everything except economic parameters. And this is probably the place to find the real answer to the question of how it is possible for the banks paying such high interest rates to perform so well in business.

Will these banks, which have suddenly become stars in the financial sky precisely because of these high interest rates, manage to perform so well in the future as well? Or will they perhaps disappear, as some people are forecasting? This question is a riddle for many people, above all for savers who have entrusted their money to them.

"The secret, as in Aesop's fable, is in the cave where all trails lead, but no one comes out of it. The cave is the government, which certainly knows, or ought to know, from what transactions these banks are realizing their superprofits," says a banker from one of the successful private banks.

"This is for the moment a groping in the dark," Dr. Jovanovic-Gavrilovic, professor, said, putting it figuratively.

Government, Pharmaceutical Industry at Impasse 93BA0200B Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 2 Nov 92 p 17

[Article by V. Dukanac: "Pharmaceuticals: The Producers Are Not Giving In"]

[Text] Ever since serious shortages of medical drugs began to occur in these parts some 10 years ago, they have been taking on ever more dynamic proportions every year. This year's shortages were felt even back in January and February, and then during the autumn the domestic pharmaceutical industry completely halted the delivery of drugs for two weeks. That is, when in early October its accounts receivable from health care funds and institutions reached the figure of over 20 billion dinars, this industry, consistent with its natural interest to survive, decided within the framework of its association, after a hopeless admonitory correspondence with both governments, to put an end to the whole business. Their ultimatum to the effect that unless all debts are paid by 10 October all firms in Serbia will cease to deliver drugs was not taken seriously even then. After all, in the meantime only a third of the debt has been paid, and the Serbian minister of health has already referred to them publicly as blackmailers, profiteers, and so on, presumably counting on directing the odium of the public against them in this way and thereby putting pressure for the delivery of drugs to take place nevertheless.

However, this unified and embittered the pharmaceutical people still more. The leaders of the industry's association delivered the message in public: "Even if 95

percent of the debt is paid, the stoppage will occur, because the tolerance of this industry can no longer be counted on." This, it is said, ended things definitively, especially because the blockade has tightened the procedure concerning the importation of raw materials, because foreign states are very reluctant to consent to exemptions from the embargo. It should be borne in mind at the same time that the republic banks and the central bank have been unable to take full advantage of the right to purchase foreign exchange, precisely because they lack dinars. What is more, during the last quarter price adjustments were allowed for only 66 percent of the drugs. Everything together has driven this industry to defend itself more resolutely, argues Radomir Stoicevic, president of the Association of the Yugoslav Pharmaceutical Industry.

But even before delivery of drugs was stopped, both governments should have known that that would be the last blow that would do in health care institutions, hospitals especially. The directors of the large health care centers in Serbia have made no secret of the fact that even before that they were mainly being supplied by shipments of humanitarian aid. But only on 19 October, that is, nine days after delivery of drugs was stopped, did the two ministers (federal and republic) agree to talk to the directors of the pharmaceutical companies. Yet the five-hour discussion did not end with an agreement, and the entire matter was postponed to the beginning of last week. But even that new "test of strength," which lasted almost five hours and was once again conducted behind closed doors, ended with the following provisional agreement: When health care funds pay all the debts for drugs up through 30 September, drugs will be delivered to those able to maintain a payment period of 15 days from delivery for their purchases. Provided the health care authorities accept the new increase in drug prices. And the stoppage of drug deliveries will remain in effect until the two ministers, in consultations with their governments, officially confirm something along those lines and, of course, until the payments are actually made

Up until the time when this issue of EKONOMSKA POLITIKA was put to bed, that is, three days after the provisional agreement, the pharmaceutical industry had not received such a confirmation from health care authorities. Most of the directors of our pharmaceutical companies have been saying that they are sticking by their position and they have not wanted to comment on the entire matter for the newspapers. But now certain new questions are being raised: That is, when just a week ago the Ministry of Health, making the case for the government's program for financial rescue of the health service, assured the public and the deputies in the Assembly of Serbia that a solution had finally been found for all dubious financial obligations, why, then, is there any need for the government to make a new calculation? Or is the entire financial package really shaky? Or perhaps Miodrag Babic, general director of Hemofarm in Vrsac, is right when he says that everything that has been happening to the pharmaceutical industry actually represents an obstruction on the part of the government and the republic fund—once again to involve the pharmaceutical industry in placement of the blame for the entire situation in the health service.

In any case, it is undoubtedly most difficult for those who have to maintain the continuity of production under such conditions. This industry, which elsewhere in the world is one of the most dynamic, has shown its vitality in our context as well. All seven pharmaceutical companies, taking advantage of a situation for which they themselves were not responsible, have nevertheless preserved their freedom of independent choice. At the very outset of those negotiations with the competent officials, Amira Geljo-Berberovic, the woman who heads the pharmaceutical factory of ICN [International Chemical and Nuclear]-Galenika, says that Galenika "will produce only those drugs for which we estimate that it is in our economic interest." And Miodrag Babic: "Hemofarm will not accept any decision from above as to what it will produce, but will take only what it estimates it will be able to produce at a profit."

Although these factories have managed to some fair degree to preserve their individuality even under these politically dependent and slippery times, when television cameras have peered into their warehouses in order to show the public their "inhumanity," because they were not delivering drugs, when they had them, today they are all in what is truly the most difficult crisis since the war. With a total financial blockade on the domestic market, on the one hand, and the embargo on exports and difficulties of importing raw materials on the other.

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The Quarreling of Two Monopolies

At present, it is not certain when the authorities will realize the full seriousness of the threat from the pharmaceutical industry, except that one thing is clear, and that is that there will be no delivery of drugs until then. in the meantime, it is most difficult for those caught in between: patients and health care institutions, above all, hospitals and socialized pharmacies. "In the final analysis, all of this amounts to quarreling between two monopolies," complains Branko Radovic, general director of the Belgrade Pharmacy Institution, "which is the government monopoly and the monopoly in the industry, and this has embittered all of us. The government has nationalized us, so that we do not have the room to maneuver which the private pharmacists have, and during this period we have exhausted absolutely all our reserves." And as to how the patients are getting along, they themselves know that best.

Paper Profits of Banks Disputed

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[Article by Vladimir Grlickov: "Banking System: Concealed Losses"]

[Text] There are no reliable figures on the amount of the actual losses of banks in the FRY [Federal Republic of Yugoslavia]. Many people think that the problem is that such figures do not exist at all or that the banks are not filing them with anyone on the excuse that they represent a trade secret whose "divulgence" could shake still more a business image that has already been eroded. The problem, however, does not lie at all in the nonexistence of inappropriate data or in any secret nature of that business file (the global figure on losses, with no individual "divulgence," has never been a secret).

The figures exist, but what kind of figures? According to them (the periodic statements for the first six months of this year), the banks do not have a loss; on the contrary, they show capital in the amount of about \$3.2 billion, which even by international standards would put them among the moderately profitable banks! It follows that the domestic banks, and here we are mainly looking at old and large institutions (not the newly established mixed and private banks), have the business capability to operate without hindrance and even to receive new capital and credit and to enter into some kind of investment cycle. It follows from the declared capital that the banks actually do not need any kind of financial rescue, and not a thought should be given to bankruptcy.

That is not, however, how matters stand. On the real balance sheets which will be shown after the complete international audit, the Yugoslav banks will inevitably show a loss. It is not advisable to guess how large that actual loss would be, except that a rough estimate can be made: The net loss that would result after the "canceling out" with the indicated capital could be \$4 billion larger (that is what it was on the balance sheets for 1989). It is realistic to assume that the situation has not improved during these two years (except fictitiously in the bookkeeping), because it is openly said that various unprofitable lendings under directive have continued, if they have not been intensified, and then that the repayment of foreign loans has almost stopped, and foreign exchange savings has for all practical purposes been put in a state of almost complete moratorium.

There are two facts that make it evident that the situation in the banks is not good in spite of the indicated capital of \$3.2 billion and the 1-percent dividend for the first six months of this year (that would mean that they

are on the border line of profitability). First, the fact that the banks are not in a position where they are doing business at a loss and operating unprofitably, they would not seek a financial rescue, and that in a general rescue, after which they would have to accept adoption of rigorous individual ad hoc solutions, they would have to guarantee that future business transactions would be subject to market conditions, and there would have to be changes in their professional managers (putting an end to the granting of bad loans), not precluding even bankruptcy as a way out and sale of the bank if there are interested buyers. In this connection, it is not smart to undertake forcible integration and financial rescue and thereby destroy even that little-found capital and good business operation that exist in our banks with mixed or private ownership (according to some calculations, they have about 10 percent of the capital shown on the balance sheet, but which largely is not actually available in all banks).

The second fact that suggests that the situation in the banks is not good is an "unimportant" technical operation in accounting which has made it possible for the banks to show on paper (in the balance sheet) a positive. if minimal, result; the obligations of the banks (liabilities in the accounting) are considerably smaller because the foreign credits and foreign exchange savings deposits were calculated at the old exchange rate that was in effect before the devaluation on 1 July of this year. It is a separate question as to whether the devaluation was intentionally carried out on precisely that day, just after the end of the six-month period, so that the banks would not show a loss for the first half of the year. Mandatory revaluation of capital in this case does not help much. nor does the expensing of certain obligations in the bookkeeping (exchange-rate differences), nor the stoppage of payments abroad, because this remains a lasting problem on the financial statement.

Analysis of the Balance Sheet

A bit more detailed examination of the balance sheets of the banks, which have thus been presented as something on the bright side, can reveal that the business situation in them is not good. First of all, foreign exchange savings are missing among the obligations of the banks (liabilities), because only deposits (only 48 percent) and credits (46 percent) are indicated.

...or they are only letting it be known that this "hot potato" must be dealt with by all institutions which at one time or another formally and essentially "produced it" (the government, the National Bank of Yugoslavia, all the way to the enterprise)—remains to be seen. In any case, perhaps even the unconscious offering of this kind of alternative of "erasing" foreign exchange savings conceals a "suicidal" consequence; if market rules are to be followed, then it is logical to assume that when the debts are written off, in this case foreign exchange savings, bankruptcy of the banks would necessarily follow. It must be borne in mind that in bankruptcy the ones who suffer are the depositors (savers), as well as the

founders (owners of the capital), but also the banks themselves, which are either padlocked or sold if anyone is interested in buying them in that condition.

By all appearances, however, there will be no rash of bankruptcy, nor is it desirable for this to happen, because of the well-known "domino effect," the general panic that is created, with its adverse consequences. And there is evidence in the effort to protect foreign exchange savings and begin to reimburse savings depositors. That is, the intention is to rescue the banks and beyond that guarantee their liquidity toward savings depositors. Here, the financial rescue could be general, but at this point only primary issue is seen as the (sole) source. If some kind of logic is being followed that involves full coverage of foreign exchange savings and reimbursement of the damages to savings depositors, one comes to the conclusion that note issue up to the full limits for this year would not be sufficient to "meet" that need. Of course, additional foreign loans might be used in the calculation as an alternative on behalf of foreign exchange savings, and then the payments would be made in foreign exchange. However, it is obvious that we cannot count on that kind of foreign financial support at present; and even if it were possible, we would have to see what interest the foreign trading partner would have in granting credit to pay off savings depositors. In any case, all of this indicates that the offering of real public property as a form of complete reimbursement of loss (at the real exchange rate) is emerging as the alternative for solving the problem of foreign exchange savings. This fits into the general concept of privatization and the mortgaging of public property as the most important economic precondition for successful rescue of the banks and their founders.

In this context, it is not beside the point to repeat that the general financial rescue of the banks would immediately be followed by individual financial rescue, including elimination of those that do not adapt to market criteria and capital criteria of business operation. It is thought by some that the individual "ad hoc" rescue should come immediately, without honoring the requirement that this first be done by a general coverage of all banks. Judging by what the situation is at the moment, the strength does not exist for a "rigorous" approach to financial rescue; that is, for the moment it is largely through primary issue that the banks are taking care of themselves. The only thing that could be done quickly is to make changes in the personnel and management structure of the bank. In any case, this is a measure customarily envisaged in the financial rescue of an individual bank, but not in a general financial rescue undertaken in the form of granting a last chance to the stratum of business managers to adapt to the market.

It is significant here that the process of privatization of the founders of the banks is supposed to take place parallel to the financial rescue of the banks. One form that privatization would take is assumption of ownership of firms that are not creditworthy, whose inability to pay back loans is causing the banks to incur losses. It is assumed, of course, that the banks' assumption of ownership of the firms would be only a part of the general privatization which is to be undertaken, and it would serve as a way for the firms and the banks themselves to achieve a lasting business recovery. Anyone who does not accept this method of financial rescue and is not able to adapt to the capital-market conditions of business operation will certainly have to step aside for more able people. Here the advantage would go to young people, but also younger and newly established mixed and private banks, that do not bear the burden, as it was put by Governor Vuk Ognjanovic, of the unpleasant and compromising business files of the past. There is no way to take this but as an appeal to those banks to resist the temptation to create new files and to avoid repetition of the mistakes of the old banks and the running up of bills that are not covered. Certainly, they should be encouraged not to give in to the threats that jeopardize their status and survival, and along with it that little sound real capital which exists in these parts.

What Is Happening to the Assets of the Banks

Another part of the analysis of the balance sheet might be devoted to the lending transactions of the banks (the asset side in accounting), i.e., to the state and quality of their claims, as the basis for getting an idea of the image, profitability, security, liquidity, and their real capital strength. Figures on the status and quality of their assets indicate directly that the real situation is not good. Only 30 percent of assets can be referred to as interest-bearing. which means that all of 70 percent are not creating any yield at all (we do not have to go into the possibility that the principal of the loan will be paid off). Because there is no real repayment of 70 percent of the assets, it is clear that we cannot even talk about any capital strength of the banks. Nor is it very helpful in this connection to suppose that we should begin with what was "initiated" during the last reform of the banking system, i.e., to classify their assets according to the degree of soundness of the loan and the borrower. This kind of classification (from A to E) can remain, as it has been up to now, only a legal formality unless there are radical changes in the business policy of the banks in their relations with founders and borrowers. The essential thing would be to halt the reproduction and further spread of unsound assets (bad loans), and above all through privatization to improve the efficiency of investment of the founders and their ability to repay loans. In fact, the success of the financial rescue of the banks depends on whether it is carried out consistently with those criteria. And a condition for that actually happening is that those criteria be respected in the financial rescue that would be carried out by replacing losses with interest-bearing assets in the form of state securities (bonds) which would guarantee an inflow from fiscal sources (taxes and customs duties), profit from note issue, and so on. Certainly, marketoriented financial rescue of the banks implies that it is being carried out by real noninflationary means, and here the state budgets have an important role. It is

obvious in the present situation that it is not possible to find such real means, because the budgets are already overstrained, and funds for purposes of that kind are neither planned nor proposed. It remains to immediately make use of primary issue, and the chances that exist in this case for it being used to initiate a process of a market-oriented financial rescue of the banks is a separate question. Logic suggests that a "more intense" use of primary issue and respect for market rules of the game do not go together. Similar attempts in the past have not yielded the anticipated results, which, of course, does (not) mean that history will repeat itself again this time.

It is too early to speak about any kind of additional capitalization of the banks, which would be based on the participation of foreign investors, although the bankers are stubbornly insisting on this (as well). In any case, complete financial rescue of the assets of the individual bank, along with privatization and a real inflow of capital from foreign investments and "creation" of new capital strength, cannot occur rapidly—and simultaneously. It is clear that a market atmosphere cannot be created and confidence cannot be restored for investment in domestic banks unless there is first at least an initial offering of evidence that the financial rescue of assets will be conducted in a new way and that bad credit financing will be stopped.

Leave to one side the problem that in most cases the banks do not in practice have capital. It is important to say that such an intention, to improve the asset side of the balance sheet, has so far not been successful. Once again the bankers look on this renewed intention with skepticism, saying that the banks cannot adapt quickly and easily to such strict criteria governing business operation. It is clear to them in this connection that even if they do not operate that way they can be put on easy street for quite a lengthy period if the "deal" with unprofitable and large borrowers is canceled. It should certainly be borne in mind that a market-oriented rescue of the banks which does not preclude the possibility of individual bankruptcy implies the existence of an appropriate infrastructure which in market economies is employed on an effort of that kind. The appropriate agencies for financial rescue and securing bank deposits various investment funds, and pension funds, not, of course, conceived as they have already existed in these parts have great importance. The Agency for Financial Rescue and Deposit Insurance has so far had some results in this area, because in certain periods of time it has performed the job of financial rescue of certain banks with relative success. At the same time, today it would be worthwhile to think about ways of developing its other function, the one for which it exists, and that is to insure savings deposits. The experience of sophisticated banking suggests that this kind of insurance of individual savings is indispensable when there is no general government guarantee of deposits of this kind. Under those conditions, savings are insured on the basis of nongovernmental resources, resources not produced by note issue, by the banks themselves (insurance premiums). The question of whether savings should be insured only up to a certain

amount and also whether the experiences in the market economies suggest only this type of insurance are open to discussion in this connection. There have been well-known cases, in the United States, for example, when funds of the FED (the American central bank) were resorted to in securing savings after it turned out that interventions from banking sources were not sufficient for insurance. In any case, even if it were adopted in the form of a law on banks. the new banking system would not be easy to "implement' (today) under the conditions of the sanctions and the blockade and the immense receivables that cannot be collected. But that should not be an alibi not to undertake changes immediately in an attempt to take advantage of the situation to use the external "thaw" for internal changes. If the initial turn toward private banks as the backers of various allowed importations is a sign of the road that can be taken toward recovery and prosperity, then it must be clear to the old socialized banks that they have no alternative. That is, they can continue what they have done up to now, which reduces them to an operative conducting business transactions and making loans under orders when those transactions and loans yield no financial benefits whatsoever, or base their "success" on an unrealistic balance-sheet fiction created with inflationary primary note issue. The initial steps being taken by the National Bank of Yugoslavia and the banks suggest that the necessity of change is being realized. Moreover, the monetary authority is showing an understanding that a portion of the losses of the banks did in fact come about objectively, among other things because of the low interest rate on legal reserves, making concessions indispensable it is suggesting, for example, that the banks be fully compensated for legal reserves on the basis of the costs they incurred and interest rates on the market. That would also presuppose a fuller adaptation of the discount rate of the National Bank of Yugoslavia, which is today lagging noticeably behind market interest rates formed on the banking market. At the same time, we also note in efforts of this kind a certain lack of unanimity in the views of the banks themselves, because some of them do not agree with the more radical changes of the discount rate, because, for example, it is not in their interest for primary note issue being used to refinance credits for agriculture to be withdrawn at such a "high price."

How these diverse interests of various banks will be satisfied is another matter. For the present, the essential thing is that there is a readiness on the part of the monetary authority to realize that the difficult financial position has not resulted solely from the subjective shortcomings of the banks. The banks at the same time are "returning the favor" by showing a readiness to accept the new market rules of the game. Time will tell whether this kind of mutual understanding between the monetary authority and the banks will be enough for radical changes in business operation and ownership. In any case, much of that depends on political relations and on answers to the question of whether the forces that support business operation on a capital basis, the halting of bad loans, and privatization win a definitive victory in politics.

Newspaper Production Reportedly To Stop

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[Article by Andjelka Cubrilo-Kosovac: "Without Newspapers"]

[Text] In newspaper publishing firms in Belgrade and Novi Sad, stocks of paper are almost down to being counted in kilograms. Thus, even with a loan from Republic commodity reserves (of 300 metric tons of paper), issues of POLITIKA will reach newsstands for another 10 days or so, VECERNJE NOVOSTI—a day or two, the same for BORBA, in Novi Sad—a week for DNEVNIK and three or four days for FORUM, and slightly more than a week for PRIVREDNI PREGLED. Unless, of course, in the meantime Matros, the only supplier, "rushes up" with new quantities of newsprint.

As matters stand now, the prospects of that are poor. At today's meeting in Sremska Mitrovica between the producers and newspaper representatives there certainly will be discussion of the reasons for this situation. As far as we know now, the factory has been idle since 15 October of this year because of the shortage of gas and heavy fuel oil. The Pannonian Power Plants of the Electric Power Industry of Serbia, we were informed by Miro Radmilovic. a sales representative at Matros, shut off the power, and there are no more rolls in the warehouse. Especially because Matros's machines had already been idle during the period from 1 to 30 September.

Even if there were not the problem with fuel, Radmilovic feels, there would have been problems with paper, but not such serious ones. After all, the country's needs amount to 65,000 tons a year, while Matros's annual output is 38,000 tons.

The way out, they say at Matros, is for the newspapers to make new investments in the production of newsprint, which because of the low prices is already unprofitable for the producer. When in June of this year Matros offered the publishers shares, Radmilovic recalls, the only response was from DNEVNIK in Novi Sad. In both Matros and DNEVNIK, they confirmed, however, that in the present shortage this unfortunately does not afford any privileges at all.

Is there a possibility of the paper factory in Berane resuming production? The answer to that question obtained in Matros is that their team has in recent years paid several visits to that factory, which has been in bankruptcy for four years now, to see if the machines could be started up. However, the opstina (previously Ivangrad) obviously does not see an economic interest in that.

We learned from the same sources that the output from Boze Tomic in Cacak is quite small and the quality does not meet the needs of publishing houses.

All in all, it is still a pity that the investment was made in the Slovene factory in Krsko instead of Matros in Sremska Mitrovica. To be sure, we learned unofficially that newsprint from Slovenia can be found more and more frequently on the Serbian market, and, according to Dragoljub Zecevic, deputy general director of DNEVNIK, the owners of private firms are already knocking on the doors of the publishing houses with their offerings. Offerings of imported paper, of course.

In the opinion of Zdravko Egic, director of the Vecernje Novosti Nip [newspaper publishing firm], they have to get their bearings on the market and the capital of all interested publishers needs to be pooled in their common interest. According to him, the way out is for all the publishers to form their own commercial firm.

Be that as it may, a majority of daily papers in Belgrade and Novi Sad, as well as the biweekly and monthly publications, are at their last gasp. Help, say the responsible people in these firms, will be requested from the Government of Serbia, more accurately from the Ministry for Energy. After all, it is true, say those who are less burdened with politics, the sugar beet harvesting drive is at its height, and the fuel is also needed for the sugar mill in Sremska Mitrovica, which is located right alongside Matros, but newspaper publication must not be jeopardized either. Others, who see a political background to everything, say that it is no accident that there is a lack of fuel for the production of newsprint with an election coming up.

[Box, p 11]

"Matros" Will Operate on Heavy Fuel Oil

Novi Sad, 27 Oct—According to the announcement made today by Slobodan Radulovic, commercial director of the Novi Sad enterprise Gas, Matros in Sremska Mitrovica, our only newsprint producer, will start up its plants again in the course of today or tomorrow. That is, instead of gas, which Matros stopped getting a few days ago, paper production, we were told by Radulovic, will resume based on residual fuel oil. According to him, Matros will receive the first quantities of heavy fuel oil in the course of today, which is a shipment of 500 tons.

In answer to the question of how absolutely necessary it was to shut off the supply of gas to the only newsprint producer in Yugoslavia, Director Radulovic said that the shortage of gas is a reality, which accounts for the restrictions, but he observed that in this and similar cases the enterprise Gas is actually only a technical operative, while the decision on shutoff is made by the republic Ministry for Energy.

Unfortunately, at the enterprise Gas they were not able to tell us reliably with what confidence Matros can anticipate future supply of the fuels it needs. This, of course, depends on many factors, so that newspaper firms will obviously have to save paper rigorously.

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